

PRACTICAL POLITICS

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TRANSPORT, DEVELOPMENT, AND DISTRIBUTION LOGISTICS

“Southwark has reinvented itself from a down-at-heel south London neighbourhood to a sought-after office location” (Charlotte Moore, “Estates Gazette”, 6th. January). When the Jubilee Underground Line connected the Isle of Dogs to the West End via London Bridge, “Commercial schemes did particularly well” around the station. “Station redevelopment and a boost in the property market go hand in hand. Paddington Basin has been a resounding success on the back of the Heathrow Express, and all eyes will be on King’s Cross and St Pancras once the new high-speed Channel Tunnel rail link opens in November 2007.” Waterloo is Eurostar’s present London terminal, and, when the station is redeveloped after Eurostar’s move to St. Pancras, “businesses may choose to locate their offices in London areas with better international links.”

“Inadequate road and rail systems are handicapping efficiency, productivity, performance and investment at a time when the [logistics] industry is facing new challenges” (Steve Agg, chief executive, Chartered Institute of Logistics and Transport, cited by Roland Gribben, “Daily Telegraph”, 1st. February). “The redevelopment of the former Shellhaven oil refinery on Essex marshland is aimed at restoring the Thames to a premier role as a trading centre and providing a focal point for distribution” (Gribben, *op. cit.*). “DP World [the Dubai-based container operator] sees the complex as the opportunity for customers to move goods faster by using two distribution centres, one in the North and one in the South, rather than remain boxed-in with a single base in the Midlands...Extensive dredging is needed...while DP World has to meet concerns about road and rail improvements to cope with the increase in traffic.”

Both public and private investment will go in to major infrastructural schemes. Users of the port, road, and rail developments will pay whatever competitive market conditions (set by Hull, the East Anglian ports, and Southampton) dictate. Experience teaches, though, that a large slice from the benefits of all this will pass to holders of land in south Essex and in the neighbourhoods served by the new roads and improved rail communications, as the ripple effect is felt across southern England – and all without lifting a finger or risking even one p. Schemes like this could be financed, at least in part, by bonds issued against future LVT revenues. So, enact LVT, fast!

BURT revisited

Much of the previous Issue, No. 153, was devoted to consideration of the Burt Report on local government finance in Scotland. In this Issue, we record some miscellaneous points and further fall-out from the Report.

The Inquiry showed all three of the United Kingdom's main political parties in somewhat uncomfortable light. (i) Scottish Labour fiercely rejected Burt's own solution, which was to replace the council tax by a local property tax closely akin to the very system that Labour in Westminster plans to foist on Northern Ireland. (ii) When the English Liberal Democrats first brought forward their local income tax idea, the party in Scotland held back from adopting it. The Scots, however, later came into line and dutifully pushed the policy at Burt, only to find that by now the English saw it as a non-starter and were looking elsewhere. (iii) As for the Conservatives, they merited only three mentions in the Report, two in footnotes and the other (9.9) to record that they proffered no comment on local income tax. (iv) It would be unfair not to point out that the Nationalists had at one time proposed use of the Edinburgh Parliament's powers to vary income tax by 3% above the U.K. level, for the purpose of reducing the uniform business rate in Scotland. The drawbacks were made abundantly clear then, but the SNP, in a vainglorious challenge to commonsense, heedlessly re-presented the local income tax concept to Burt. (v) Of the other two parties represented at Edinburgh, the Scottish Socialist Party tabled proposals for a Scottish service tax based on income, which went way beyond the Inquiry's terms of reference; whilst the Scottish Green Party advocated the taxation of land values (as did a non-party organisation, the Henry George Foundation).

"Property taxes can be seen to be 'fair' and progressive, because there is a correlation between property values and ability to pay. Evidence suggests that, where this correlation does not apply, it is more likely to arise from households on higher incomes living in lower-priced homes than vice versa" (1.14). "Replacing a tax based on property" with a tax on income could "result in property values rising, stimulating house-price inflation" (9.86).

One piece of evidence given to the Inquiry noted an extreme shortage of affordable housing in St. Andrews, blamed on the council tax exemption for properties occupied solely by students. "This exemption in practice benefits landlords...rather than students themselves" (14.25) – another fine example of subsidies and tax breaks ending up appropriated by landholders.

"One of the arguments for a tourism tax is that it would extend the tax base to include overseas visitors" (9.139). This is specious. Visitor attraction is reflected in the enhanced site value of such as hotels, restaurants, shops, and places of culture and entertainment: all would be worth less if the tourists disappeared. LVT will pick up the land value from tourism with no extra fuss.

THE CHANGING COUNTRYSIDE

“Bereft of the working young, village communities in the South, the Midlands and Cheshire are now the preserve of the middle classes. Nothing currently on offer from politicians will be likely to change that or slow the conversion of former workers’ cottages into fashionable weekend retreats” (John Gummer, M.P., “Estates Gazette”, 6th. January). “For more than three decades, land prices have been disconnected from any possible agricultural return...All is set fair for further increases in land prices...The social effects of all this are, of course, serious: fewer farmers running ever bigger enterprises; fewer working people in villages dominated by the rich and the retired; and ever-decreasing rural services. While the rural property men will prosper in 2007, the politicians will need to wrestle with the consequences”. Whatever people, collectively, do, is reflected in the value of land. That is the purely pragmatic reason for our espousal of LVT as the basic source of public revenue, to abate and replace existing taxes.

COMMUNITY LAND TRUSTS – the inkling of a germ of an idea?

Conservatives are to study a means of delivering affordable homes to first-time buyers, whereby homes are built on land owned by not-for-profit community trusts. “Buyers will only pay for the house itself, rather than the land, which remains owned by the community trust. This could deliver savings because the cost of land often makes up more than half the final bill” (Graeme Wilson, “Daily Telegraph”, 2nd. January). “Under the trust scheme, owners can sell their properties when they want to move on and keep the increase in the value of the ‘bricks and mortar,’ while the land remains with the trust...In many rural areas, they could offer a supply of affordable homes for young locals priced out of the market by wealthy city-dwellers”. This is the first recent attempt by Conservatives to grasp the problem – land. It is not the same as a house, and the values of land and the development are separable. The trick is to enlarge the vision, to arrive at the systematic concept of LVT.

BALEARIC BONANZA

On Majorca, a new motorway links Palma airport to towns on the north of the island, such as Pollensa and Alcudia, cutting the journey times from 1½ hours to 35 minutes. Planning authorities, having learned lessons from over-developed resorts like Magaluf and S’Arenal, have put strict conditions on new building elsewhere. “A detached house on a small plot overlooking the sea” went on sale and fetched £4.9 million. “The buyer wants to knock down the house and build another one” (Duncan Farmer, “Mail On Sunday”, 19th. November). “So really he paid almost £5 million for a building plot.” A garage in Pollensa has been sold for £90,000. Sun, sea, and sand, anyone?

NORTHAMPTON

“Cash-strapped Northampton Borough Council is hoping to sell-off a raft of grass verges, car parks and even an old toilet to developers” (Wayne Bontoft, “Northampton Chronicle and Echo”, 2nd. February). “The authority has put nine tiny pieces of land in town up for auction to try to raise more than £1.7 million.” The leader of the council has assured shocked local residents that anything to be built on these plots “would have to reflect the area’s surroundings”. One “0.19 acre grass verge”, next to a bungalow, carries a guide price of £80,000. What sort of home will the council allow to be erected on that, we wonder? If land values are that high in Northampton, ought not the civic leaders to be studying LVT and lobbying for it? Based on values like these in just this one town, the annual total collectable through LVT from the Kingdom at large could be expected rapidly to replace current taxes. The guide price for the grotty old ex-toilet, by the way, is £95,000.

BATH

Last month, after over 20 years of shilly-shally and chop-and-change, Bath and North East Somerset Council at last gave outline permission to develop the 44-acre western portion of the largely derelict brownfield site known as the Western Riverside. 2,300 homes, “community facilities, new roads, bridges and a bus-based rapid transit route, student accommodation, a new primary school and local shops and amenities will all be included in the development” (Ben Murch, “Bath Chronicle”, 18th. January). In itself, the whole site has been a disgrace to the city, “a giant junkyard” that “has sunk as low as it is possible to sink...an embarrassing eyesore...a windswept wasteland” (editorial, “Bath Chronicle”, 17th. January). Significant hurdles remain. The first two would-be developers quit in frustration. Development costs, including decontamination, are put now at £4.5m per acre, so the present developer has to build high (up to nine storeys in some cases) for the scheme to be viable. The whole saga is an object lesson in what can – and does – happen in the absence of LVT. What a waste of money, time, and brains, by the council, by the developers, and by all the architects and other consultants! Think too of the amenities delayed and the public revenue foregone over two wasted decades! The Bath tale is one long cry for LVT.

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