

PRACTICAL POLITICS

December 2005

Issue No. 143

A SUGGESTION THAT IS NOT TO BE ACCOMMODATED

“A tax on hotel beds...[is] being considered [by the Lyons Inquiry] as a way of taking the pressure off council taxpayers” (Philip Johnston, “Daily Telegraph”, 15th. December). A tourist tax levied on accommodation “to ensure that visitors contribute to the public service they use”, would be costly to administer and enforce. Targeted on accommodation alone, it would harm hotels, inns, and boarding houses, and damage long-stay tourism whilst leaving day trippers unaffected. Worse, the whole exercise misses the real point. Tourists, whether from elsewhere in the country or from abroad, bring their own values with them. What would happen to land values in a tourist resort suddenly bereft of visitors?

The places which attract tourists are all constructed on land – not only the hotels, inns, and boarding houses where visitors may stay, but the places where they choose to eat, to shop, and to seek their entertainment. As things are now, the value of tourism is pocketed by the owners of land in tourist spots. Collection of the annual rental value of all land, sweeps up the value brought by tourists, along with the value of natural advantages (good air, attractive views) and man-made developments such as public and private utilities and transport, efficient public services including policing and street cleaning, a rich heritage of art and architecture, and of course sports and entertainment facilities.

A tourist tax is just another footling proposal. Whereas land value taxation (LVT) is a replacement for contemporary taxes, this impost on tourists would be an additional tax, piled on top of the council tax just to mitigate the unpopularity of rising council tax bills – without any of the benefits that follow from LVT properly and fully implemented.

Footnote:- One month earlier (15th. November) a “Daily Telegraph” editorial had lamented that a council tax revaluation would penalise “those who have invested in improving their homes.” Yes, but LVT, note, takes no account of improvements. An article by Sarah Womack (same ‘paper, same date) listed “proximity” to a series of primarily natural attractions and man-made facilities, for not one of which was the homeowner responsible. Planet Earth is not the work of man. Land value is rightfully public. If “private property is the bedrock of freedom” (as the editorial asserts), it can not include private appropriation of land rent, but only ownership of what men have laboured to produce, trade, and pass on by inheritance. LVT acknowledges in practice this fundamental truth.

DEVELOPERS and PLANNING GAIN

The Kate Barker Report advocated a planning gain supplement (in fact, another in a lengthening line of post-War development land charges, and another failure in the making) which “would enable the government to share some of the huge gains made by developers when land is sold” (Christopher Adams, “Financial Times”, 3rd. December). “The value of undeveloped land can increase tenfold once planning consent is granted and landowners can at present keep all the gains they make.”

Our first observation is that land value can easily increase not tenfold but a thousand fold: farmland worth £1,000 an acre can jump to £1,000,000 an acre if situated at the right “hot spot”. More significantly for the case we argue, we note the distinction between “landowners” in the second citation, and “developers” in the first. It ought to be “landowners” on both occasions.

We do not demonise developers. On the contrary, we recognise them as furnishing their labour, and doubtless capital too, to put together a development proposal, carry out the negotiations, arrange for the planning consents, see to the finance, bring in the architects and surveyors, engage the contractors, manage the project, and market the final result. As “developers” they do a job of work, within the constraints of the present system. If they acquire land, they will have become “landowners” too, but, unless they have held it for speculative purposes for any length of time, it is unlikely they will have profited substantially from this. Indeed, acquiring land is often a problem, not a pleasure. Landowners, landholders, are different again. They serve no useful purpose. All they do is allow others to enrich them, before graciously allowing their land (God’s land, for Heaven’s sake!) to be used by others in return for the highest price they can extort.

As individuals, landholders are feathering their nests in accordance with the putrid system currently in place. The fault lies with our legislators, their advisers, the “experts”, and, ultimately, the electorate itself. The bogey is not the developer, not development, but private appropriation of land rent. Eradicate it!

Footnote:- “Does the value of the property prior to planning consent include the ‘hope value’ representing the likelihood of getting planning consent?” (a surveyor, quoted by Jon Neale, “Estates Gazette”, 10th. December). “He also pointed to the fact that allocations in local plans affect values almost as much as individual planning consents and he predicted more work for surveyors as developers try to ‘bank’ planning consents before [the planning gain supplement] is introduced.” He might have added that having to find, say, a 20% development tax ‘up-front’ would add to the borrowings needed, and the rolled-up interest would have to come off the total sum the developer could afford to pay the landowner. Landowners can elect to hold off and await repeal of the offending legislation, drying up the land market in the interim. LVT is so much simpler, just, and simply the best!

HOW LAND VALUE ARISES AND IS MAINTAINED with no landowner effort

- (i)** “The OECD estimates that...of the [EU’s CAP] money...[a] quarter disappears into higher rents and land prices” (Ferdinand Mount, “Daily Telegraph”, 16th. December) “making it harder not easier for small operators to start farming, let alone to survive...New environmental payments too are likely to have perverse effects, by pushing up land prices, for example.”
- (ii)** “Land and rental values in Yorkshire’s distribution market continue to soar...The opening of the airport at Doncaster, good motorway links, proximity to the Humber ports and readily available labour are attracting operators to the region” (reports in “Estates Gazette”, 17th. September).
- (iii)** The Working Time Directive, introduced in March, restricted road transport drivers to 48 hours at the wheel per week. “Northern ‘hot spots’ could benefit from a rise in satellite warehouses...33% of operators are planning to relocate as a result of the directive...Development opportunities between major centres in more urban areas, such as Darlington and Middlewich, will begin to emerge” (“Estates Gazette”, 17th. September).
- (iv)** “Government regeneration initiatives worth £446m are being showered upon the Thames Gateway, £142.7m of them on north Kent alone, and a new international high-speed train link from nearby Ebbsfleet will open in 2007, cutting journey times to central London from about 40 minutes to 20. Pundits are predicting a property scramble in the Medway Towns and especially Chatham” (Catherine Moye, “Financial Times”, 19th. November).
- (v)** “Prime residential development site. Southampton. Elevated site with panoramic views of the river and city to south and westerly aspects. 0.7 acre. Offers in excess of £1.5 million invited” (advertisement, “Estates Gazette”, 1st. October). Residential land (only land!) at £2.15 million or more per acre!
- (vi)** A “nondescript garage, located in ultra-fashionable Notting Hill, has sold for £240,000” (Olinka Koster, “Daily Mail”, 31st. August) “because of the severe parking restrictions in this area and the inflexible attitude of some local parking attendants.” A tatty garage in Hampstead is “for sale for £700,000” (Geoff Marsh, “Daily Express”, 12th. November). The owner “has planning permission to turn the site...into a three-bedroom house.” The finished product “would be worth £950,000”, according to an estate agent.
- (vii)** A London “Evening Standard” survey has shown “there is a massive difference between the price of houses in the catchment areas of 20 top schools in the capital compared with equivalent properties just outside” (Ben Farmer and Elizabeth Hopkirk, *op. cit.*, 25th. October).

JAPANESE LESSON FOR BANKERS

“The use of property as collateral for bank lending is, at best, a very mixed blessing” (John Plender, “Estates Gazette”, 26th. November). Japan has endured 15 years of economic bust and stagnation, following its amazing wallow in land speculation. “During the bubble of the 1980s, commercial property collateral operated as a substitute for good credit analysis, so that loans were advanced not to the most efficient companies but to those that were property-rich. Then when the market collapsed, the overhang of real estate from disposals of collateral behind bad loans became an appalling drag on the economy. Only now is the overhang clearing.”

Footnote:- Although the following remark (by Alastair Ross Goobey, “Estates Gazette”, 10th. December) is in the context of offices, it applies with equal force to buildings of other kinds. Such improvements need constant maintenance and are liable to grow out of date. “Depreciation of the structures is real, leaving only the landowner as the true beneficiary.”

LUNACY – or so we must hope!

“A Chinese company’s efforts at selling plots of land on the moon was a ‘beautiful’ idea but fraudulent and illegal, a Chinese government watchdog has ruled” (“Daily Telegraph”, 8th. December). “The firm, Lunar Embassy, sold 49 acres to 34 clients for 298 yuan (£21) an acre before it was shut down in October, the *China Daily* reported yesterday.”

One may ask why an acre on the moon is offered at £21 whereas the asking price in Southampton is £2.15 million (*vide supra*, point (v), page 3). Since neither the Earth nor its satellite, the Moon, was made by human agency, why should it be “fraudulent and illegal” to claim ownership of the latter but acceptable to assert outright ownership of part of Earth? As recorded in our Issue No. 112 in relation to a U.S. citizen’s claims to Moon ownership, “Landed property rights cannot exist without state protection” (“New Scientist”, 16th. February 2002). Now that is something to ponder over the Monopoly board.

Published by the Land Value Taxation Campaign,
54, Woodway, Hutton, Brentwood, Essex, CM13 2JR,
and distributed free to selected members of both Houses of Parliament, of the European Parliament,
of the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly.

Internet <http://www.landvaluetax.org.uk>