PRACTICAL POLITICS

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THE RIP-OFF AT TAKE-OFF AND THE SHAKE-OUT ON LANDING

In January, Qantas, the Australian flag carrier, paid the regional airline, FlyBe, nearly £20 million to buy the right to two return flights a day at London Heathrow airport. This confirms the value set on such slots in a Civil Aviation Authority study three years ago. Using the Qantas purchase as a benchmark, “all the runway slots at Heathrow would be worth about £6.4 billion” (Dominic O’Connell, “Sunday Times”, 22nd. February). “The trade [in these slots] is regarded by some regulators as unlawful, or at best legally dubious…Nobody is really sure who owns them.” According to the spokesman for a specialist London law firm, “Airlines can keep on using their existing slots until either the law changes or they don’t operate the service.”

In Issue No. 82 (November 1998), we recorded the view of the Deputy Prime Minister, John Prescott, that the slots belong to the community, and, in approving, we urged upon him and his party the policy of LVT. The principle that the air is public property is already recognised in the practice of auctioning licences to use the radio spectrum, and we have on a number of past occasions advocated the same arrangement for airports:–

“The air above the ground is, in political economy, classed as land (it is part of the material universe outside of man and his products). The right to fly in to and out of an airport has a value which can indeed be realised by putting it up for auction and charging a rental. For that matter, prime time and secondary and tertiary take-off and landing slots can also be charged for competitively. The value of the allocation of air-rights could eventually be captured for the benefit of the population as a whole. Airlines unwilling to pay the going rate would have to fly elsewhere. Planners would know the worth of adding to existing facilities. The principle is to let the market operate and the exchequer collect the rent” (“Practical Politics”, Issue No. 68).

There is an alternative arrangement. The state does not need to be involved directly. The airport operator (public or private) can do that, just as it lets space for retail shopping outlets. The presumption is that it will auction, or otherwise let, its take-off and landing slots, so as to optimise its income (within the bounds of safety and planning consents), just as assessment of *terra firma* assumes optimum use within planning and other restrictions. In this way, the value of the whole airfield site includes a value on the slots as well as the normal, ordinary value pertaining to the solid ground.

SCOTLAND CONTINUES TO LEAD…

The final report of the Scottish Office Land Reform Policy Group in January 1999 was extensively discussed in our Issues Nos. 84 and 85. The Policy Group included in its report the important recommendation that "A comprehensive economic evaluation of the possible impact of moving in the longer term to a land value taxation basis should be undertaken." In January 2003, as noted in our Issue No. 122, the Scottish Parliament approved a motion commending the contribution that land value taxation can make to the cultural, economic, environmental, and democratic renaissance of Scotland. Now we can record that on 12th. March this year Mark Ballard, M.S.P., of the Green group in the Parliament, launched a bill proposal to introduce a system of land value taxation for local government in Scotland, *Proposed Reform of Council Tax and Business Rates Bill – Proposal for a Bill to reform local taxation by shifting the basis of assessment away from whole-property value onto land value.*

"The bill will be tied in with the Inquiry into land value taxation which last year the parliament resolved to carry out" ("Land & Liberty communiqué", No. 1208) "but the bill is unlikely to succeed in becoming law in the short term." Mr. Ballard says nevertheless, "This parliamentary process will deliver up to Scotland a detailed drafted bill, developed with professional legal drafters, and subjected to some degree of democratic scrutiny and testing."

… AS ENGLAND REMAINS IN OFFICIAL DENIAL

Westminster and Whitehall continue havering about development land taxes. The latest version in this string of fiascos is to be called, apparently, a planning gain supplement (see our Issue No. 130).

The Government has also to decide what to do about the council tax. It has been advised to listen to a section of its own party sympathisers. "Land value tax, an idea being pushed by the Labour Land Campaign, could emerge as a more serious runner than LIT [local income tax]" (Neasa MacErlean, "Observer", 1st. February). Ministers show no signs of listening, though they are not about to fall for LIT either. They will carry on tinkering.

Uniform business rate (UBR) relief for small businesses is the latest new game. "From next May, firms with single premises of a rateable value of less than £8,000 will be able to claim back tax – those operating from premises rated at £3,000 receiving the maximum 50pc relief" (Richard Tyler, "Daily Telegraph", 26th. April). "To balance the books, firms with rateable values above £8,000 will be hit by a surcharge…thought likely to be 2.5pc."

Not to be outdone, the Liberal Democrats “have responded by setting the upper threshold at £25,000” and adding a sliding scale for application of the surcharge. (i) Are firms like watchmakers or software writers who do not need a large space, necessarily ‘smaller’ and more deserving than little, old-style metal-bashing businesses or boat-builders, who need to spread out a bit? (ii) Is there any reason known to ethics or to political economy why the occupier of a highly valuable small space should be handed an advantage, while a neighbour and competitor is clubbed on the shins? (iii) Is a reduced UBR bill not simply an invitation to a landlord to raise the rent of his ‘lucky’ tenant at the first opportunity? Tax privileges end up as a gift to the beneficial owners of land. When may we hope for some serious radical reform, chaps?

At Whitstable, Kent, a pilot survey to test the practical application of LVT (in this instance for local government finance) was conducted for the Rating and Valuation Association in 1963. It was repeated in 1974, this time for the Land Institute. Hector Wilks, the valuer on both those occasions, wrote, “It is clear to me that the field work involved in valuing site only is very much less than valuing site plus improvements…99 per cent of sites were valued without difficulty.” Arrangements are in hand to conduct a new Whitstable survey for comparison purposes. The Land Value Taxation Campaign is associated with a valuation covering the Vale of White Horse (which runs west from Oxford), currently being conducted by a professional valuer under the auspices of Oxfordshire County Council and the Vale of White Horse District Council. The arrival of rains to relieve the parched earth begins with the appearance of a cloud no bigger than a man’s hand...

A HUT at Christchurch; A HOUSE at Tenby; A TOILET at Hammersmith

(i) Mudeford is near Christchurch which is near Bournemouth. “The group of 364 properties overlooking the coast…are of a rickety construction, have been built on sand, can be lived in for only eight months of the year and there is neither parking nor a road” (Nigel Lewis, “Daily Mail”, 26th. March). The going price for one of these chalets (glorified beach huts) is £100,000, but that buys only the structure. “The owner of the beachfront is Christchurch Borough Council, which leases out the land…on a yearly basis”. The revenue helps Christchurch have one of the lowest council taxes in the country.

(ii) Tenby, Pembrokeshire, has for years been a picturesque seaside town. Now it has become a fashionable ‘hot spot’, with land values to match. “The market is being given an additional leg up by the number of IT [information technology] professionals moving in who can work from home” (Nigel Lewis, “Daily Mail”, 23rd. April). Also, “Tenby has benefited [?] from more affluent buyers looking further west [from Cardiff and Swansea] along the coast.”

(iii) "A former public lavatory is on the market for nearly half a million pounds. The run-down Shepherd's Bush Road site is being sold by Hammersmith and Fulham council for possible development as flats, offices or shops" (Tariq Tahir, "Evening Standard", 20th. April). The lavatories, shut 20 years ago, have attracted interest. An estate agent is quoted: "It just shows the value of London land". Yes – but why did the council wait so long? The responsible officers have let 20 years' public land rent go down the pan.

WRONG TURNING

Several times we have called on Southern Africa to avoid the simplistic appeal of trying to solve the land problem by seizing, dividing, and redistributing large estates accumulated, however dubiously, in former colonial days. Even if neither corruption nor violence is involved in the redistribution process, this is a mistaken way to go.

> "Such projects are…wrong in theory, because every person living has an equal right to his place on the Earth, and that cannot be achieved by simple division of the land area; even if it could, it would ensure that the next generation would be born landless. In practice, dividing up land gives better plots to some than to others, still leaves a landless underclass, and ignores the plight of the poor in the urban slums altogether. Furthermore, such small holdings are rarely satisfactory, and are worked by methods which ensure low productivity" (Issue No. 11, June 1990).

We have subsequently addressed the situations specific to Zimbabwe, Namibia, and South Africa, most recently in Issues Nos. 97, 120, and 128. Now we learn that "Namibia has enlisted the help of Robert Mugabe's land 'experts' as it intensifies its own land seizure programme" (Basildon Peta, "The Independent", 5th. April). "Zimbabwe-style methods…have destroyed its country's agriculture and reduced it to the status of beggar nation." As we noted in our Issue No. 11, "There is no need forcibly to break up the great estates…It is sufficient to assess all land on the basis of its…site value alone, and to collect the annual rent accordingly." If the new governments of those nations cannot see it, perhaps the white landowners could themselves step forward and propose it, foregoing rental value to retain their investment in capital goods, boost their and their farmworkers' wages by the action of the economic Law of Rent, and, indeed, preserve their own lives and livelihood?

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