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# Practical Politics No.96

We reproduce here a past issue of our journal.

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*This Issue has a strongly Scottish flavour but the examples quoted find parallels throughout the United Kingdom and beyond. The points illustrated are urban in character concerning either cities and towns directly or at a commuter's remove. That in itself is not without significance, for of late the emphasis on land reform in Scotland has been perhaps too much directed to remote rural acres, with little or no attention paid to those small land areas on which most Scots live and work and where most of the country's land value lies.*

### THE SCAM

"International operators are choosing Edinburgh for two reasons - there is already a pool of skilled staff to provide the back-up services and the quality of life is such that they can attract top people from all over the world to take on the senior jobs in these organisations . . . Glasgow has a top-class labour pool, backed by a good urban transport system" (Edinburgh estate agent, quoted by Stewart Mcintosh, *The Herald*, 9th. March). "Edinburgh's booming property market has pushed the city into the top 10 most expensive office locations in the world" (Mcintosh, op. cit.).

Top-class people with skills, good urban transport, attractive quality of life - all these are attributes of people or attributable to people, to the work their predecessors have done and which they now labour to maintain and extend, aided by capital, likewise man-made and supplied from savings. Nowhere in this is there any role for the landowner, who, as mere holder of a parchment title, does nothing, need do nothing, can do nothing, to affect the growth, maintenance, and future course of the land value he takes and banks. If offshore oil and gas output declines steeply, if financial services scamper off to cyberspace, if devolved government for some reason is wound up, that same Edinburgh landowner will be as powerless to stem the ebbing of his land value as he was to cause its flow in the first place.

Collecting land value to fund the public revenue is more than an expedient: it is a moral duty which government has the obligation to discharge.

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### WAVERLEY LINE

The Waverley line used to run from Carlisle across the Borders region to Edinburgh, but was closed over 30 years ago. Now a feasibility study has shown it would be viable to re-open part of the route, operating a half-hourly service from Tweedbank to Edinburgh. This would cut journey time from 90 minutes by bus and 55 minutes by car to around 40 minutes by train.

"People would be more inclined to live in the Borders if they could commute [to Edinburgh] by rail" (Lauder estate agent, quoted by Alison McClelland, *Scotsman*", 17th. February). There is already a ripple effect from the boom in Edinburgh, and "the value of properties in towns and villages near the railway line, including Lauder, Stow, Earlston, Newstead and Newtown St. Boswells are [sic] expected to increase as more home-buyers are drawn to the area" (McClelland, op. cit.). "If you buy a house now it would be a good investment if the railway were to go ahead", said the agent. In fact, without constant expense and maintenance, the house will depreciate. Appreciation comes from the effortless, cost-free rise in the value of the site on which the house stands. Commuters are being invited to join the ranks of the land speculators.

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## WAVERLEY LOOP

Edinburgh's south suburban railway has been closed to passenger traffic since 1962. It is now proposed to re-open it, completing a loop with the existing line running from Haymarket through Waverley to Portobello. The cost is put at £25 million. This will be raised without requiring a penny of public funding.

The key is that most of the closed stations on the line have associated land which is ripe for development. "Planning permission would raise the value of the land which would be enough to pay for the capital cost of the scheme" (John McGregor, development co-ordinator, quoted by Ken Houston, *Scotsman*", 7th. March). With no interest charges and because the line will serve such a densely-populated area" the fares will cover operating costs and the figures show that it can run at a profit".

The general principle here is that railways and other infrastructural investments generate land value in the neighbourhoods they serve. Only rarely, as in Edinburgh's south suburbs, can they tap in to it. LVY can always do so.

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## THE ROYAL INFIRMARY: A CASE HISTORY

"Although the Royal Infirmary sits in the very centre of the capital, and covers 25 acres in a prime area for redevelopment, the site, which could be worth £50m, is unlikely to be sold for more than £10m" (George Hume, *The Herald*", 14th. January). "The factor acutely depressing the value of the site . . . is a battery of A and B category listings by Historic Scotland on buildings covering almost the entire hospital. Demolition is out of the question". The

main block was completed in 1879, but there have been numerous later additions. In the circumstances, refurbishment is the order of the day, for whatever uses can best be made of the different parts.

If LVT were fully operating, the listed site would yield, say, £½m per year. The cleared site would bring in £2½m. The brutal question facing politicians, planners, and public would be whether preserving the Royal Infirmary buildings is worth foregoing £2m per year. Looked at the other way round, with LVT fully operating and site rental revenue replacing presently levied taxes, the occupier of Edinburgh's Royal Infirmary location would be assessed on the assumption of optimum permitted use. If the present structures have to be preserved, he would pay £2m per year less than if he had a free hand. This is compensation for following public policy. He would receive no rebate if he were to allow a building to fall into disrepair - still less if he were to vandalise it so as to render it unusable! Thus he would have every incentive to preserve the property in top order and maximise his income from it. This presumably is what Historic Scotland wishes.

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## **AT A DEAD END?**

The M74 has not been completed. There are 5 miles to cover, through south Glasgow. Councillor Charles Gordon, leader of Glasgow City Council, "sees the potential development as having positive economic effects on the poorer areas adjacent to the M74. 'Developers are attracted to sites and developments happen where there is good access to national strategic transport routes and good local transport access . . . Failure to build the road will leave Glasgow severely short of development land' " (Michael Tierney, "*The Herald*" magazine, 22nd. January). No funds have been allocated, and of course there are objectors. If, however, the political decision is to proceed, all that concerns us here is to note that it seems the motorway will generate its construction costs in surrounding land value. Once again LVT is seen to be the neat and proper solution.

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## **ROVER'S LAND**

"Alchemy, the venture capital group buying Rover, could raise £200 million from the sale of land at the Longbridge plant . . . High values could be achieved by turning some of the vast site into a high-tech business park . . . At least part of the 430-acre site will become surplus" (Ian Cundell, "*Times*", 20th. March).

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## **LAND FORCES**

"Army chiefs are examining secret plans to raise money by closing Aldershot, moving thousands of soldiers to new bases in the Highlands. A controversial report . . . suggests huge sums could be made by closing the traditional home of the British Army, where land prices have spiralled" (Adam Nathan, "*Sunday Times*", 26th. March). "The MoD owns about 300 acres of land in the Aldershot area, worth as much as £1.1 m an acre for residential development and three times as much for retail sale." Provided national security is not compromised, we do not object; but, pending introduction of LVT, we should prefer it if the MoD were to lease out the land rather than sell it: the army is supposed to defend the national heritage!

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## **SEA DEFENCES**

"The government has decided the cost of holding back the sea is too high and has drawn up plans to abandon hundreds of miles of coastal defences . . . Most of the areas affected are in the southern and eastern counties . . . Their coastlines are protected by thousands of miles of sea walls and other defences whose age means they need constant maintenance. They cost the Environment Agency tens of millions of pounds of taxpayers' money each year" (Jonathan Leake, "*Sunday Times*", 21st. November 1999). Defending agricultural land at a time of continual farm surpluses is a waste of money". Would it make a difference, we wonder, if we had LVT and were regularly collecting the annual rental value of such land? Why does the taxpayer continue to subsidise agricultural interests to produce surpluses, and in any case does not such largesse simply swell land value?

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