

PRACTICAL POLITICS

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A MATTER OF AIM AND PURPOSE

“Serious policymaking is the antithesis of presenting an initiative each day. It addresses questions that are less susceptible to ready answers...The thinking from first principles involved in dealing with underlying issues is an essential element in reminding a political party why it wants to be in power. And any party that does not know what its purpose is cannot expect voters to take it on trust” (first leading article, “Financial Times”, 29th. December).

This is a powerful, much needed critique. A collection of rapidly conceived little policies, ‘sufficient unto the day’ (with luck), is the opposite of joined-up government. We offer (not for the first time!) our own declaration:–

Every citizen has equal right to the land surface of the United Kingdom, to its waters, rivers, and lakes, to the territorial waters around it, and to the air space above it, and shall have an equal share in the natural resources thereof. This is to be secured by requiring all who wish to have the privilege of exclusive occupancy of any portion of the national territory to compensate the remainder of the community by annual payment to the Crown of a sum assessed as representing the full site location rent for the land in question. The total yield of such rents is to be the first source of revenue for the public administration, and any surplus is to be disbursed to all citizens per capita.

Most of us are born landless or land-poor, but we do have to help carry the inherited National Debt. Frankly, that is not much of a deal!

RAISING THE WIND, MODERN STYLE

“Our society has almost become inured to the idea of landowners making easy profits out of monopoly rights to natural resources and out of the investment of public money without having to do anything themselves. But windfarms add another dimension to this...The concept of private fortunes being made out of the way the wind blows over the hills, driven by weather systems originating thousands of miles away over which no one has control, is causing a few more raised eyebrows – especially when it is all so obviously happening at the expense of the consumer and taxpayer” (John Digney, “Land & Liberty”, Summer 2007). Landowners now collect over £10,000 per wind turbine *per annum*.

THE NEW FRONTIER

The Arctic regions are the new frontier, fast attracting residents, transitory workers, and capital investment. Hammerfest, in Norway, claims to be the world's northernmost city. "Until recently it was a hard-up fishing town coping with economic decline, joblessness and emigration. But a big oil find just offshore and the discovery of an even larger gas field a little further out in the Barents Sea have transformed its fortunes" (Daina Lawrence, Greg McIvor, and Tom Masters, "Financial Times", 1st. December). More construction workers are needed, but "Wages...have lagged behind the surging property prices...with flats starting at Nkr 1.6m (\$296,000)." So rapid is so-called progress on the new frontier, that landholders are seeking to feast from the boom even before the poor folk who are to create it are in position! Maybe some who own the land will also perform work or provide capital or both, in which case they will make positive contributions to the creation of wealth; but all that landowners do, in their capacity as owners of land, is charge handsomely for graciously permitting others to set to work.

IN AND AROUND LONDON (mainly RAIL and ROAD, but really all LAND)

(i) "Living close to a Tube station can add up to £80,000 to your property's value...The cost of homes increases by between £10,000 and £30,000 for every five minutes' walk it is nearer to a station" [a]. Those who buy or rent homes pay not just for a building but for its location. Did the lucky (or less than wholly lucky) landowners actually make "their" land, or acquire it from any predecessor in title who did? When public collective land value is given away to private individuals instead of being used for public revenue requirements, members of the public must pay a second time, in the form of conventional contemporary taxes. What fools we mortals are!

(ii) With St. Pancras station now re-opened, we are invited to wonder how and when London & Continental Railways will seek to cash in "on the hugely increased value of 67 acres of land at King's Cross and the 170 acres at Stratford. The acreage was effectively gifted to LCR by the government 10 years ago. Let's say it was worth £20 million then: today, say £600 million, but tomorrow, maybe £1 billion" [b].

(iii) The new Ebbsfleet railway station in north Kent has begun life as a stop for the Eurostar services. "When it opens to local users in December 2009, it will cut the journey time to the capital from 50 minutes to 17...Gravesend, Dartford, Gravesham and Chatham will see major improvements as a consequence of the infrastructure provided...Property prices are already rising" [c]. The prices of stone, brick, and glass behave as normal, but land...

(iv) “A council initiative called Making Waves intends to take [the Sussex resort of Hastings] upmarket, clean-up eyesore sites and buildings, and encourage higher spending tourism than before. If it succeeds, house prices will rise too...The council estimates that there are 5,000 uninhabitable private homes in Hastings – grants are available for buyers who take on renovation work” [d]. What utter nonsense is this? LVT stimulates and rewards redevelopment and penalises dereliction at nil cost to the public purse.

(v) Hindhead, in Surrey, is a well-known bottleneck on the A3 London to Portsmouth road. With the Devil’s Punchbowl beauty spot deemed too large to by-pass in entirety, and too good to spoil, work began a year ago “to build a mile-long twin-bore tunnel under Gibbet Hill at a cost of £371 million, that will link to a three-mile bypass and free Hindhead from the A3 for ever... Property prices should soar as a result” [e].

[a] Mira Bar-Hillel, “Evening Standard”, 30th. October [b] “Evening Standard”, 9th. November [c] Nicola Venning, “Financial Times”, 13th. October [d] Graham Norwood, “Daily Telegraph”, 18th. October [e] Sebastian O’Kelly, “Mail On Sunday”, 19th. August

INDUSTRIAL SITES WANTED: LAND LESSON FOR THE ECONOMY

“Edinburgh continues to face a lack of quality industrial stock...There are plenty of requirements out there but land is so hard to come by” (Claire Robson, “Estates Gazette”, 3rd. November). In Aberdeen, “occupiers associated with the booming oil and gas industry struggle to find suitable space...With land going for £500,000 per acre and construction costs on the rise, developers need the extra income to make the schemes stack up.”

When a developer has taken all his costs (labour, capital, taxes) into account, and has arrived at his likely income from sale of the finished property, he will know what he can afford to pay to acquire the land and still keep his business in profit. In the Edinburgh and Aberdeen instances cited above, it is highly likely that landowners have set their own expectations in excess of current market value and are demanding some of to-morrow’s value to-day. Now, land is a natural monopoly (each site is unique, and land is for practical purposes fixed in both quantity and location). Land (urban land in particular, and again, for practical purposes) may be left untended in the open with little or no risk of loss of value. Land that is unused carries no ‘holding charge’ beyond the opportunity cost of foregoing income from its use (no loss when, by definition, it is already unused). Thus all the cards are with the landowner. Unless and until he decides to hold out no longer, productive activity can be held back for ever, with consequent loss of employment opportunities and pressure to keep wages down. We do not have to put up with this, of course. We could have LVT and end this folly.

TAKE-OFF AND LANDING RIGHTS

“Alitalia, the loss-making Italian airline, has sold lucrative take-off and landing slots at London Heathrow airport – some at record prices. It wants to bolster its finances as it seeks to negotiate a rescue takeover by Air France-KLM” (“Financial Times”, 29th. December). In Issue No. 131, we covered the questions this raises:–

“In Issue No. 82, we recorded the view of the [then] 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 (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.”

Heathrow land value is a function of collective public demand for flights. Collect it, with all the rest, for public revenue purposes, and quit plundering private values! A Briton’s birthright is the land, not just the National Debt.

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