

Princely advice from builders

by Bert Brookes

THE DUKE of Edinburgh is following in the footsteps of the Prince of Wales. No, not those of his son, Prince Charles, but of an earlier holder of the title, Queen Victoria's eldest son, Prince Albert Edward, who later became Edward VII.

Just a hundred years ago, the then Prince of Wales was a prominent member of a Royal Commission that studied the problem of "The Housing of the Working Classes", an enquiry that led to Acts of Parliament in 1885 and 1890.

To-day, Prince Philip is heading an enquiry into "British Housing: Problems and Solutions", a project sponsored by the National Federation of Housing Associations of which he is Patron.

The new "Inquiry Team", which includes such personages as the Chairman of Midland Bank, the Bishop of Southwark, Frances Cairncross of the *Economist*, Viscount Tonyandy (ex-Speaker of the House of Commons) and sundry other prominent citizens, will look into "current problems facing Britain's housing, with particular emphasis on the problems facing those with low or limited incomes."

The indications are that the enquiry will be no superficial or cosmetic affair. Launched in April this year, it will go on until at least April 1985. Over 100 organisations concerned with housing have been invited to submit comments and suggestions.

One organisation that has already submitted its views to the Inquiry Team is the House Builders Federation, whose advice will presumably command close attention. The Federation has told Prince Philip that home ownership could be opened-up to many more people if the cost of house building could be reduced. And in house-building costs, they say, there are two elements that are often "most unjustifiably high".

One is the high cost of land. In many areas this accounts for 40% of the price of a new house and is tending to rise.

The other is local authorities' planning policies which frequently create shortages of land and push up land prices even further. (The Federation point out that the private hoarding of land, the owners, hoping for the market to rise, has the same effect.)

We must hope that the Duke's enquiry will face up squarely to the



● Prince Philip

problem of land and recognise its critical importance in the question of whether people of ordinary means can afford to buy their own homes.

In so doing, Prince Philip would do well to refer to the conclusions of the 1885 Royal Commission to which his wife's great grandfather made his

contribution. That Commission (with three dissentients out of seventeen) decided that a major impediment to the acquisition of land for housing was the rates, the British property tax.

"At present," they reported, "land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building."

They went on:

"The owners of this land are rated not in relation to the real value but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, 4% of its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for the land which is now levied on urban enterprise by the adjacent land-owners, a tax be it remembered which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament."

Developments in local government taxation overseas in the hundred years since that Royal Commission clearly vindicate the stand taken by the Prince of Wales and his colleagues. Experience in Australia, for example, shows that a levy on land values, in making it expensive to hold land idle, reduces the price of land and brings home-ownership within the grasp of a far bigger slice of the population.

Whether, in Britain, such a levy should be applied by reforming the rating system or by applying a new national tax is largely immaterial. The important point for Prince Philip's Inquiry Team is that, to bring home-ownership within the reach of a larger number of ordinary people, land values should be taxed – and soon.