

LAND VALUES AND THE PLANNING BILL

EXTRACTS FROM HOUSE OF COMMONS DEBATES

The Second Reading of the Town and Country Planning Bill was debated on January 29 and 30.

THE MINISTER OF TOWN AND COUNTRY PLANNING (Mr. Silkin) moving the Second Reading: The relative failure of town planning hitherto can be attributed to a number of causes, but the principal one is, undoubtedly, the obligation on local planning authorities to pay compensation to an owner of land who, in the public interest, is refused permission to develop. The Finance Act of 1931 set up the necessary machinery for taxing land values. Long before the date for collecting the tax the Tory Government, headed by Mr. Stanley Baldwin, as he then was, had repealed it.

Mr. ASSHETON (City of London—Conservative): We might do the same again.

Mr. SILKIN: The problem still remains with us to-day. Owners of land are still reaping the benefit of the common endeavour of its citizens. Land costs are soaring, the population is still congested in the city because the price of land is high in the suburbs. Often, particularly in the case of an enterprising plan, it may well be that the development which is required, and which is in the public interest, is one which no private person can carry out, because he can see no immediate profit in it, or because the landowner refuses to part with his land or demands an extortionate price, or for some other reason.

The question to be considered is whether the restriction on development or development entitles the owner of land as of right or equity to the payment of compensation. In the terms of the Explanatory Memorandum 'the Government take the view that owners who lose development value as a result of the passing of the Bill are not on that account entitled to compensation,' but a sum of £300 millions is to be provided out of which payments will be made to meet cases of hardship, where land will be depreciated in value. The £300 million was not arbitrarily decided upon; there is a fair basis upon which this figure is put forward: taking account of all the circumstances and making the best calculations possible, it can be accepted as a reasonable one.

Part V of the Bill provides for the payment by a developer, who has received planning consent, of a development charge of such amount as may be determined by the Central Land Board. The Bill does not fix the amount of the charge, but it requires the Board to have regard to the increase in the values of the land as a result of the permission to develop. To have a fixed percentage in the Bill would be much too rigid. There might be circumstances in which it would be important to encourage development by reducing the charge, either on account of economic conditions in the country generally, or in particular areas where unemployment is above the average. The importance of securing a particular piece of development on a particular site now, instead of in, say, 20 years, may also lead to a reduction in the development charge, well below full development value. The Board would be free, subject to directions from the Minister, with Treasury consent, to vary the development charge from time to time, according to circumstances. A developer will acquire his land at the existing use value. On getting consent from the local authority to build, he will then negotiate the development charge with the Central Land Board. This charge will be a sum which will not exceed the actual development value. In other words, for his land and for the right to build, he will pay an aggregate sum which will not exceed and may well be substantially less than today's market price. He cannot, therefore, be worse off; he may be better off.

Mr. W. S. MORRISON (Cirencester—Conservative). The power of designating land for compulsory purchase is now extended to any land which, in the opinion of the authority, is likely to require compulsory acquisition for the purpose of securing its use in a manner proposed by the plan. All this land being under the shadow of what is called designation means that the owners of the land and those who are interested in it will not have much inducement to improve or develop it. Agriculture, industry and housing will all be affected to their detriment by this wide extension of the powers of designation.

Mr. CLEMENT DAVIES (Montgomery—Liberal). When will there come a Government with sufficient courage to tackle our archaic, out-of-date rating system, which has done so much to thwart improvements of all kinds? Can anyone deny that when we have guaranteed prices for our agriculture products, that that will not affect the price of agricultural land? If electricity can be brought, as it should be brought, to every farmhouse, and if water can be brought to the farms and farm buildings, up will go the price of agricultural land. All this will be done by the public, and this so-called Socialist Government says: 'Well done, thou good and faithful servant' to the man who happens to own that land. 'You have done nothing to increase the value of that land but you have it.'

[This said, there followed the *volte face*: 'There is one feature in

this Bill which I welcome above almost everything else and that is the power now to be given to local authorities to buy land for purposes other than their own immediate purposes.' And Mr. Davies concluded with:] 'I do not like the £300 million and I do not like the way in which it is assessed; nor do I like the way in which the development charges are left too much undefined. I welcome this Bill as a real contribution to the general planning for the benefit and welfare of the community.'

MR. H. G. MCGHEE (Penistone—Labour): I cannot understand why a Labour Government should set aside this huge sum of £300 million, to pay hard-up dukes and earls, and those poor little widows and orphans, who would be trotted out if the proposal to pay this sum were dropped. I am amazed that the Minister can come here and offer this huge sum so easily, and with such confidence.

The Bents Green area of Sheffield, is on the edge of the already developed area, where the green belt is to be; land values in that area rocketed 100 per cent, overnight after the green belt scheme was decided upon. Under this Bill, not a single penny of that can be collected. I admit that maybe in the next 100 years, when these houses fall down, and the area is redeveloped, we may get something, but under this Bill as it now stands there is no hope of collecting any of that at present. There will be thousands of cases like that up and down the country, even when this Bill has been put into operation. My suggestion is that that money ought to have been collected and not allowed to flow into private pockets. Over the last 30 years, in Labour movement, I have been involved in many moral victories. The term 'moral victory' frightens me now, because when I used it, I was generally seconding a vote of thanks to the returning officer. I had the moral victory and the other fellow had the votes. We have got another moral victory in this Bill. We get the moral victory of having said that the landlord has no right to compensation, and the landlord gets £300 million. I can see the Chancellor calling the landlords together, and saying, with a song in his heart, 'Boys, you are not entitled to this £300 million, not a penny of it, but there you are. Off you go with it, and have a good time.'

The method of levying the development charge will be an additional burden upon the private developer. When I speak of a private developer I am not only talking about the private capitalist but also of the co-operative society and other institutions which are run on a co-operative basis in this country. They have to face already a huge burden of rates and a great deal of delay in the various departments when applying for licences and so on. This will be an additional outlay and burden for them to face. I regard this part of the Bill as sheer compensation for speculation. These people either held the land or bought it in the hope of a rise in value. If the rise does not come off, they have no more right to come to the country and ask for money than those who speculate in Littlewoods' pools.

There is neither equity nor morality in the proposal to pay this huge sum of £300 million. I cannot vote for the Bill as it stands, because it is against my conscience to pay people for something they have not earned. I must abstain from voting, on that account.

MR. J. R. LESLIE (Sedgefield—Labour): Municipal enterprise has been handicapped by land monopoly; housing has been handicapped by the price for land. Taxation of land value has been Labour's policy for many a long year, but I want to know where it is shown in this Bill. Why is it absent from this Bill? The compensation to landowners amounts to an enormous sum—£300 million. I think that might well be called an ill-gotten gain. No shred of evidence has been given for such an immense figure. The Minister of Town and Country Planning I know, was a figure of importance on the London County Council. He is a man of outstanding ability, but has he forgotten the fact that the London County Council promoted a Bill for site values, so why is it not covered in this Bill? The taxation of land values is long overdue, and I hope this may find a place in the Bill before it finally passes to the Statute Book.

Mr. L. D. GAMMANS (Hornsey—Conservative): What will happen when this Bill becomes law? It would mean that the developer would have to go to the Government and ask before he did anything. 'What have I to pay in the way of betterment?' He has to haggle with them. Can anyone possibly say what is the true betterment of an estate where not a brick has been laid, and not a drain has been dug? No one can have the faintest idea whether the estate will be a financial success or not.

MR. S. P. VIANI (Willesden W.—Labour): I take exception to what I consider to be the enormous sum which has been allocated for payments to be made to the owners of land. As I understand the Bill, the owner of land will receive the present-day use value of his land. At some time later, he is going to receive his proportion of the £300

million set aside for compensation. For what is he going to be paid that sum? For anything he has done to the land? Under present conditions, he is enabled to see the value of his land increase as a result of the exertions of the community residing around him. We are asked to be generous to the landlords, and we are prepared to pay them the present-day use value of their land, but this social value has been created by the community, and the landlord should have no claim on it. These are the values of the community, created by the community.

THE PARLIAMENTARY SECRETARY TO THE MINISTRY OF TOWN AND COUNTRY PLANNING (Mr. Fred Marshall): The Clauses of this Bill are highly technical, and complicated. Anyone who determines to master its maze of legal terminology, sets himself a formidable task.

The Industrial Revolution of the 19th century, placed this country at the head of the nations of the world, but it left us a fearful legacy of physical ugliness.

It has taken us a long time to appreciate all that the Industrial Revolution has meant to us in spiritual poverty, stunted physique and ill health, not to mention cost. Bad development has been allowed, owing to the haunting fear of heavy compensation. Many planning authorities have been too poor to implement their plans. It will take many years to rectify the harm already done, and will impose upon the public of this country a terrific cost, and unless we now invest both the central and local government with the necessary powers of control and acquisition, we can say 'goodbye' to the idea of a better Britain.

If there is a large number of regulations it is because the vast undertaking of this Bill requires them. Some of these regulations are not likely to come up in the lifetime of the present Parliament.

MR. T. BRADDOCK (Mitcham—Labour): In many of our proposals we are prepared to give consideration to those people who may suffer hardship, but that is no reason why we should set out deliberately to distribute a sum of £300 million in respect of hardship the extent of which we are not aware. We do not know where these people are. While there may be a case for compensating a railway shareholder who was actually getting an income from his railway shares, there is no case for compensating a landowner for an income that he has not yet received. We are going to pay that man the present-day value of his land. What right have we to compensate him for a possible advantage he might get in the future? At that rate, we might just as well bring in a Bill to compensate people who put a bet on a horse or a dog, and do not succeed in winning. The logic is exactly the same. As the representatives of the people of this country we have no right to give the landlords of this country compensation for advantages they never had.

MR. C. W. GIBSON (Kennington—Labour): It is a pity that mixed up in a Bill to give local authorities planning powers there should be what I regard as completely unnecessary compensation to the landowners. I therefore regard the £300 million provided for under the Bill as a completely free gift to the landowners of this country without any justification whatsoever. Indeed, I have already heard the Bill described in this House as the Town and Country Bounty Bill, and it seems to me that that is so for the landowners. I was amazed to find that in dealing with compensation and betterment in his speech the Minister should justify it on the ground that it was something better than even the Coalition Government had put forward. In my view, development values are not created by the landowner and never have been and, in fact, the landowner as such cannot create such values. They are created by the community, by the coming together of men and women who live there, by the efforts which the community, through the local authority and through the State, makes so that it is possible for men and women to live in a reasonable standard of comfort. Such development values ought not to go into private pockets; they ought to come into the common purse directly.

MRS. JEAN MANN (Coatbridge—Labour): If these landowners had actually expended any energy or done anything we should have had a different position to consider, but if one traces the land owned in this country from Tom Johnston's 'Our Noble Families,' or prior to that, compensation is due to the people of this country, not by the people of this country.

Sir WILLIAM DARLING (Edinburgh, S.—Conservative): I am not a supporter of this Bill. I am an independent opponent of all large-scale, centralised, bureaucratic planning. I do not believe in it, because it has not worked and does not work. I do not believe in all these powers being given to the Minister. I believe in the decentralisation of these powers, and that the nearer we are to the people—and this should commend itself to my bureaucratic friends—the more we get a response from the people as to what the people want.

MR. JAMES HUDSON (Ealing W.—Labour): I do not know that I can resist the necessity of compensation for work done and properly created by human labour and human organisation. But land is not, and never has been, in that category from our point of view. Any

improvement that is made in the value of land is arrived at by the nature of the land, by the nature of the law of rent, which is not dead yet. Though Ricardo and Henry George may be dead, this law goes on working, irrespective of what we do. Philip Snowden voiced our views in a Budget with a definite proposal for the taxation of land values. After all that had happened, in 1935 the Labour Party was explicit about the necessity of declining to pay landlords on the basis of their claims. I have in my possession the notes for speakers published by the Labour Party for our guidance in that period, which I cannot now quote, as I had originally intended, because of the short time at my disposal. We shall have to go out into the country with this proposal, but we shall have to defend this grant of £300 million to the landlords of this country, arrived at by a computation which I cannot for the life of me understand and which I believe the Minister cannot understand either. We are crystallising a system of payment to landlords which will make it impossible later on to carry out our fundamental belief that we should place upon the landlords of this country a tax in relation to the wealth they have never created but which they have merely secured from the general enterprise of the whole community. This is simply doling out money at a time when we have the White Paper before us to remind us of the dangers we have to face. I and most of us intend to go out to the community and appeal with all our power for more work, more production and a more serious outlook on the part of the community we represent. Are we to have thrown back at us the remark, 'Yes, you threw £300 million away to the landlords, on a basis you could not justify when you tried to explain it in the House of Commons?'

THE CHANCELLOR OF THE EXCHEQUER (Mr. Dalton): I have been challenged, principally from hon. Members behind me, on the question of the £300 million. There is no logical method of calculating this thing. Therefore, we had to make a guess at what would be reasonable. I think we are getting a very good bargain indeed in obtaining for the community, for all time, all development value, present and future, for the payment, within five years, of £300 million. Balancing one thing against the other, I am quite prepared to defend that decision.

I come now to the alternative line of approach to the land problem, the question of the taxation and rating of privately-owned land values. The thing has no interest if the land is publicly owned, for then it is purely an accounting transaction within the field of public finance. I would say to those, and they are many, who attach great importance to the taxation of land values, that land values are being by this Bill, substantially deflated to the extent that any element of value reflecting an expectation of a change in the use of the land is being eliminated. That is what it means when we take over development values for the community. This source of land speculation will be stopped for ever. The value of the land from now on is determined solely by its value for its existing use. The question arises whether it is worth while, in these conditions, still to pursue the purpose of the taxation or rating of land values. My right hon. Friend the Minister of Health and I have been studying this problem, as I promised some time ago that we would study it. In my view, in his view, and, I think, in the view of all of us on this side of the House, there is still great strength in the argument that taxation is better levied on a land value even if deflated, which has been created by the work of the community and not by the work of the owner, than upon the buildings and other improvements. Therefore, there is still a strong case in principle for shifting the burden of local taxation, in some part at any rate, from buildings and improvements, on to site values even though they are deflated by this Measure. I say that as far as the principle is concerned. As regards the practical application of this proposition, we are now seeing whether we can work out a practicable scheme which would give enabling powers to local authorities to levy a local rate on site values within their area. If it should so turn out, as I hope and believe it may, that we can produce such a practicable scheme, then this would fall within the broad field of the reform of rating and valuation, long overdue, which my right hon. Friend is handling, and on which in due course this Government will, I hope, be able to legislate.

The Second Reading of the Bill was carried by 342 votes to 150. Mr. H. G. McGhee abstained. Messrs J. R. Leslie, S. P. Viant, T. Braddock, C. W. Gibson, James Hudson and Mrs. Mann, extracts of whose speeches are reported above, voted with the majority, as did the following Liberals; F. Byers, Clement Davies, Lady Lloyd George, Emrys Roberts, W. Roberts and G. Wadsworth. No Labour or Liberal members voted against the Second Reading, the minority consisting wholly of the official Opposition. Among the absentees was Mr. R. R. Stokes (Labour, Ipswich), who was abroad.

The Bill was committed to a Standing Committee of 50 members, namely, Labour (30): L. Silkin, Minister of Town and Country Planning; F. Marshall, Parliamentary Secretary, Town and Country Planning; G. H. Hall, Financial Secretary, Treasury; J. W. Belcher, Parliamentary Secretary, Board of Trade; T. Braddock, D. W. Bruce,