

Enterprise Zones: how landowners cash-in on benefits

REPORT BY P. E. POOLE

ENTREPRENEURS wanting to set up shop in Britain's new enterprise zones have been shocked to discover that the fiscal advantage of not having to pay property tax is wiped out by higher rents.

"For the landowners - private, local authority and the state - are taking the view that the firms there can afford higher rents because they are exempt from rates," report Chris Tighe and James Tucker.

The zones were established in last year's Budget to transform Britain's industrial wastelands and encourage new capital investment.

No free ride from railways

WHO OWNS the fresh air - and the daylight - that we all need?

Frank Turnbull, the director of an electrical company, believed that it was free.

Until British Rail sent him a letter informing him that he would have to pay £50 for the light that pours through four small windows of the wall that his company owns in East Ham, London.

J. D. Jones & Co., a family firm created in 1880, owns the land on which its factory stands. In 1932, they built an extension which placed the four windows just two feet from the boundary of the railway land.

The railways could have blocked the light by building an advertising hoarding on the boundary of their land.

They decided that they would charge a rent for the light and air passing through the windows!

A peppercorn rent of 13p. was agreed upon - until this year, when the railway's surveyor revalued their property rights in the light at £50.

Mr. Turnbull was furious. "They are taking us for a ride," he declared. "Britain is a free country - at least, air is free."

"There should be a gentleman's agreement about these things. We don't mind paying a peppercorn rent, because British Rail want to protect their legal rights."

"But they should not be allowed to arbitrarily make a profit out of it. What could a person do if he depended upon the light? I would rather brick up the windows than pay the new rent."

Following adverse Press publicity, a British Rail spokesman announced: "There has been an error. We are not revising the rent."

He explained that the original rental agreement was reached because the company wanted to instal windows overlooking railway property - on which they might one day want to build.

So the rent was charged to remove all doubt that the company "enjoys its light by our consent."

● A COMMON LAW rule dictates *cujus est solum ejus est usque ad coelum et ad inferos* - "to whom the land belongs to him it belongs all the way to the sky and to the infernal regions."

"But the people most likely to make a profit out of the scheme are the landowners. Land values in Enterprise Zones are rising, rents are soaring and the developers are set to make a killing."

This response was predicted in *Land & Liberty*.² The Government has not only recognised the land values effect,³ but even condones it. For a Minister at the Department of the Environment has declared:

"As I said, it does seem to me that the extent to which rents rise inside enterprise zones to allow for the lack of rates may well reduce the sharp differential at the boundary... So long as the result is to bring the zones into development, increased rents seem perfectly acceptable."⁴

The DoE has commissioned a firm of land economists (Roger Tym and Partners) to monitor the zones. One of the topics that may be studied is "the extent to which the local property market is able to adjust to allow private investment to take place in the EZ's."

One of the businessmen who could offer some sharp-tongued advice is shed manufacturer Keith Grant.

He wanted to take advantage of the 10-year

rates-free offer by moving his business just a few yards to a unit within the Gateshead zone in N.E. England.

But he was shocked when his landlords, the Estates Corporation, quoted a rent of £2.40p per sq. ft., almost 50% more than the rent agreed on his present nearly identical premises last December.

Businessmen interested in the Swansea zone in South Wales have also discovered that their profits are not to be boosted at the expense of the land monopolists.

An Environment spokesman said: "We would expect those fortunate enough to own land to share some of the benefits with those who are deriving benefits from rate-free periods."

REFERENCES

1. C. Tighe and J. Tucker, 'Rent rises undermine spirit of Enterprise,' *Sunday Times*, 5. 7. 81.
2. Peter Rhodes, 'Enterprise zones: "A Licence to Print Money!"' *Land & Liberty*, July/Aug. 1980.
3. 'Enterprise zones & The Rent Effect,' *Land & Liberty*, Sept./Oct. 1980.
4. Letter dated June 25, 1981, from Lord Bellwin to Walter Goldsmith, director-general of the Institute of Directors, quoted in *Estates Gazette*, 4. 7. 81.

Latin American diary: cont. from P. 89

Real water runs over the course of the major rivers into the "oceans," and small pennants identify the volcanos of the highlands. Gazing at the map, I thought of the paradise the fertile country could be if the people could simply stop shooting at one another. But peace will not come until the Mayas regain an equitable share of the land that was once theirs. As it is written in the *Popol Vuh*, sacred book of the ancient Quiche highland Mayas, "Truly here shall be our mountains and our valleys... May the people have peace, much peace, and may they be happy; and give us good life and useful existence!"⁶

REFERENCES

1. Henry George, *Progress and Poverty*. (NY: Robert Schalkenback Foundation), p. 350.
2. Geoff Crowther, *South America on a shoestring*, (Victoria, Australia: Lonely Planet Publications, 1980) p. 99.
3. Eduardo Galeano, *Guatemala: Occupied Country*. (NY: Monthly Review Press, 1969), p. 44.
4. *The Guatemala News*, Guatemala City, Feb. 6, 1981, pp. 1, 4.
5. Galeano, *op. cit.*, pp. 98-99.
6. *Popol Vuh*, English version by Goetz and Morley, University of Oklahoma Press, 1950, p. 173, 191. The name of original Mayan author, who wrote it from memory after the burning of the books by the Spanish, is unknown.

VILLAGE BUYING SPREE

INDIA'S farmland owners know how to consolidate the riches which have been brought by the "green revolution."

Their prosperity, however, is reported to be creating a "crisis of success." For example, new jobs have been attracted to the Punjab, and this has threatened to raise the wages of farm labourers.

The landowners, however, have vigorously promoted a solution to this "problem" - they are importing cheap labour from Bihar and Uttar Pradesh.

And to make sure that the benefits of the "green revolution" remain with them, they are keeping up the pressure on the politicians.

"Farmers do not have to pay income tax and from time to time the State government remits other taxes in frank pursuit of the farm vote," report Michelle Misquitta and Kevin Rafferty.*

And what do they do with their extra riches? Invest in job-creating machines in the urban sector for the benefit of the landless rural workers?

Not all of them, at any rate.

"The question of size of landholdings and capitalist farming is relevant to the Punjab because one of the profitable - and strictly illegal - investments that some Punjabi farmers are making is in land in neighbouring states. In some cases farmers are buying whole villages of land, which is potentially more fertile than their Punjab farms, at a tenth of the price."

*India's Punjab granary faces crisis of success,' *Financial Times*, 1. 7. 81.