

# THE RATES RACKET

MILLIONS of pounds are lost annually to Britain's rate-payers, because thousands of landowners benefit from public services without contributing a proportion of the value of their land to the local exchequer.

So powerful is the landlord lobby that it has now even succeeded in persuading a socialist government to prosecute its case in the Town Halls. Public policy has been shaped to encourage the continued misuse of scarce land, thereby compelling wage-earners to pay higher rates on their homes than ought to be necessary.

The Labour Government's absurd discrimination in favour of landowners is a paradox. That the Labour Party should adopt an aggressive stance against capital can be understood in terms of its ideological roots. But why should socialists bend over backwards to help landowners? The contrasting treatment can be illustrated by two recent Government pronouncements.

## RATE OF RETURN

A White Paper—**The Nationalized Industries**—announced that in future the opportunity cost of capital would be represented by a "required rate of return" (set at 5%) which nationalized industries would be expected to achieve on their new investment.

That the public sector should be compelled to take into account the cost to the nation of the resources it uses is reasonable. But why relax the rule for landowners?

The Department of the Environment has issued a circular on the **Empty Property Rate**. Since 1967, local authorities have had the discretionary right to levy rates on property kept empty for any length of time. The reason why rates were levied, the DoE reminds us, was that even empty property derives some benefit from local government services. In addition:

**"It can also be used to serve the important social purpose of discouraging owners of property from keeping it unnecessarily empty."**

---

**P. E. POOLE argues that it is time to calculate the value of subsidies to land-owners who freely benefit from community services without contributing their share in rates to the public purse.**

---

Fine. But Whitehall bureaucrats, and their political bosses, are now anxious to protect landowners from hardship arising from the levy of rates on their empty properties. So the DoE determined to advise the Town Halls not to hesitate to use the discretionary power to excuse landowners from payments.

Hardship, said Circular 31, can be caused to commercial companies, corporate bodies or indeed any other legal entity, as well as the more human species of landlord. And "hardship might be prevented by the use of an authority's power to reduce or remit the charge." So the community has to tolerate the underuse of valuable resources for the sake of alleviating "hardship" of owners!

The DoE candidly agrees that this social cost is supposed to relieve problems created by—in some cases—the planners who cause conditions in which property cannot be optimally used. But the obvious solution here is to remove the offending planning impediments.

The circular also suggests: "A high empty property rate . . . uniformly applied, may lead to longer term difficulties in the supply of new buildings through its effects on developers."

**THE LOGIC** appears to be as follows. Developers observe that there are empty properties on the market, the owners of which are paying rates; therefore, if they develop vacant land, they too would be liable for rates—so they opt to leave the land idle.

The developers successfully promoted this reasoning in Whitehall. (Mr. J. A. Darby, chief estates

manager of the Norwich Union Insurance Group, called the rating of empty property "iniquitous" when he addressed members of the Royal Institution of Chartered Surveyors.<sup>1</sup>)

But is it not more plausible that, in a market suffering from an over-supply of office or factory space, developers would decide not to build for want of tenants?

And why worry about the financial strain on landlords who are burdened by the costs of carrying empty properties? They choose not to let or sell when they ask for speculatively-high rents which cannot be paid out of the current income of producers who need office and factory space. So why should ratepayers lose income for the benefit of speculators?

The solution to the problem of empty property is a simple one. A rate levied uniformly on the value of all land—whether vacant, developed but un-used, or occupied—would ensure efficient use of the scarcest of our resources. It would also encourage fresh development where there was a demand for it, by not penalising capital improvements (whether multi-storey office blocs or loft conversions in homes).

## IDLE LAND

The rate would not deter landowners from developing their land, because there would be no savings arising out of keeping land idle. And anybody who suffered hardship could opt out of that plight by passing the land on to others who could use it productively for the benefit (directly or indirectly) of everyone in the community.

The time has arrived for Britain's over-burdened ratepayers to demand that the government should establish the value of the revenue lost through the failure to use land properly. Knowledge of the waste, which is nothing short of criminal, would generate public anger and compel reforms to our indefensible tax and rating system.

1. *Chartered Surveyor Urban Quarterly*, Summer 1978, p. 62.