

## THE RETAIL CHEMIST AND THE RATES

By Fredk. Verinder

The *Retail Chemist*, in whose December issue this article appeared, gives an editorial introduction as follows: "The author is a well-known authority on the subject he deals with here. It is of special interest at the present time in view of the alarming rise in rates all over the country. As a ratepayer the chemist in business is being affected as much as any other shop-keeper and it seems opportune to again refer to this problem in more detail. Published here is a brief outline of the main causes, their effects, and a remedy which Mr Verinder advocates as being the only one that will alleviate the present condition."

THE RETAIL CHEMIST is a "shop-keeper." But he is distinguished from other shop-keepers by the nature of the goods which he handles. In the far-off days of my youth, we used to call his place of business the "doctor's shop." He is often the chosen adviser of his customers on questions of health, and a consultation with him is frequently the means of saving a more costly visit to a general practitioner. He can be relied upon to send his customer to a doctor if the case is serious enough. He has acquired his qualification by a prescribed course of specialized study, tested by examinations. He is much more than a mere seller by retail. But, on the business side of his work, he suffers from the same economic disadvantages as the grocer or the greengrocer. He feels the heavy burden of the local rates, as they do, and is just as liable as they are to be worried by fears of an increased assessment under the pending re-valuation.

One of the first needs of a chemist is the presence of a large number of possible customers, before whom he can display his wares. Other things being equal, the finest opportunities for successful trading are offered by sites in the centres of great populations.

But other things are not equal. The advantages of occupying a site in the "shopping centre" of a crowded area are not an unmixed blessing to the chemist. These advantages are not his trade secret: the landlord and his agent know all about them, and the chemist must come to terms with them before he can build his shop or occupy a shop that has already been built. If he buys the site, he must sink a large part of his capital, for which he could find much better uses, in paying a price which is carefully calculated to cover all the advantages offered by the favourable position of the site. If he takes a lease of it, he must covenant to pay a ground rent based upon a similar calculation, and, on the expiration of his lease, either hand over the building in good condition to his landlord or pay an increased ground rent, and probably a premium as well, for a renewal. The more successfully he has built up a good business and identified the site with it, the more likely is he to be compelled to agree to onerous terms.

In any case, the first unescapable burden upon the chemist's earnings, or those of any shop-keeper, is payment to a landlord for permission to earn them.

The second burden, equally unescapable, is the rates. They are assessed on the net annual value of the privilege of working in a building on an advantageous site, a privilege for which payment in full has already been made in a lump sum, or is to be paid over a term of years by instalments in the name of rent.

You are highly assessed, and the injustice of the present system has been aggravated by recent legislation, under which certain "industrial hereditaments" have been partially derated, and the burden of the rates upon you and householders consequently increased. Moreover, you cannot make any structural improvement in the premises, e.g., a more attractive shop-front, without having your assessment to the rates increased.

Let us consider the case of London, the greatest of the

cities in these Islands. The problems which beset every town council in the Kingdom are there presented on the very largest scale. The land upon which the Metropolis has grown up during nearly two thousand years was originally a forest-fringed swamp at the bottom of a river valley—an impossible site for a populous city. Local government, in many different forms, has, through the ages, and at the cost of innumerable millions of money, made it a healthy home for millions of people. A magnificent drainage system, an abundant water supply, a host of dustmen and sanitary inspectors, beautiful and extensive parks, etc., minister in their various ways to the public health; great hospitals and asylums care for the sick in body or mind. The streets are paved, cleansed and lighted: new and better roads, bridges and underground railways are provided to meet the needs of the increasing traffic by private car or cycle, tramcar, motor-bus and commercial lorry. Gas and electric current are "on tap" for lighting, heating and power. Schools, day and evening, of all kinds, a great University and many public libraries are serving the education of the people. The police and the fire brigade protect the lives and property of the citizens and so on and so forth.

### A DOUBLE PAYMENT

It is, of course, just that the shopkeeper (and all his customers) should pay for the opportunity of living where he can enjoy all these advantages. There is no question that we *do* all pay for them. I contend that we pay for them *twice*. When we occupy a shop (or a house) we pay for the maintenance of all existing amenities, and the creation of new ones, through the rate-collector. But before we can occupy it we have to pay the landlord for permission to live and to carry on our business in a place where we can enjoy the benefits we are paying for, partly to the tax-collectors and partly to the municipal authority.

The landlord did not create these conveniences and amenities. As most of them require the use of land, he has already profited by the exorbitant price which municipal councils notoriously have to pay whenever they acquire land for a public purpose. The landlord, as such, who is in so many ways enriched by the activity and expenditure of the municipality, makes no contribution towards the rates, except in respect of the house or rent-collecting office which he occupies. If his land is vacant and unused, he pays no rates on it. If it is land, at present describable as "agricultural," although it will immediately become "valuable building land" if the council wants it for a housing scheme or a new school, it is completely re-rated. It is only when someone buys or leases his land and puts it to building that the "property" becomes liable for rates, and then the rates, upon the combined rental value of land and building, are paid by the occupier of the building.

The withholding of land from use, encouraged by this de-rating legislation, creates an artificial scarcity of land in the market, and is one of the causes of the famine prices which have to be paid for land by those who wish to put it to public or private use. The landlord who allows his land to be used, even at a high price or rent, is at least permitting someone to produce wealth or to render useful service to his fellows, as, for instance, by distributing goods from a shop; although the land-user may be getting but a poor return for his labour. But the land-withholder is stopping production at its very

source, by depriving the farmer or the builder or the miner of any opportunity to produce anything at all.

Except in certain luxury trades, the chief dependence of the shop-keeper is upon the common people, the man in the street and the woman with the shopping basket. These, like the shopkeeper himself, are being robbed by the out-worn and unjust rating system.

The remedy for these social troubles is, I think, plain to see.

(1) As a first step, in the national sphere, all the protectionist devices which hinder the natural flow of exchange should be abolished and a national tax imposed on the value of all land, whether used or kept idle.

(2) In the municipal sphere, rates should be levied on the value of every land unit, apart from any buildings or other improvements upon it, and the rates be collected either from the person who claims to be the owner, if there is no tenant, or from the occupier with the right to deduct from his next payment of rent, as is done in

the case of Income Tax, Schedule A.

In July, 1936, the London County Council decided by resolution that it is "desirable that the present burden of local expenditure should be transferred, either wholly or in part, from rates to a rate on site value," and asked the Government to introduce legislation at an early date to empower local authorities to levy a rate on site value. A similar request had been made by the L.C.C. before the Great War and had been supported by many provincial councils, and similar resolutions have been adopted by over 200 councils since the war.

Unable to get a satisfactory reply from the Government, the L.C.C., in July last, decided to promote a Bill in the House of Commons for the rating of site values in London. This Bill was published on 26th November, and will come forward in the next session. Obviously, I think, such a reform of our rating system should be extended to the rest of the country, as the L.C.C.'s resolution suggested, by a Government Bill.

## FEDERATION OF BRITISH INDUSTRIES ON LAND VALUE RATING

A statement issued to the Press by the Federation of British Industries gives "the grounds on which industry is opposed to the L.C.C. Bill" :—

"(a) The proposals of the Bill should not be the subject matter of private legislation applying to a single locality, but if brought forward at all should be considered in the form of a public Bill ;

"(b) The Bill renews proposals for imposing rates on empty property, which have already in principle been rejected by Parliament in the London Rating (Unoccupied Hereditaments) Bill ;

"(c) No provision is made for providing rating relief to industrial freight transport, and agricultural hereditaments as laid down in the Local Government Act, 1929.

"(d) The proposed rate is akin to an increase in Schedule A of the Income Tax, and Parliament has decided that this class of taxation shall be imposed for the purposes of the national revenue."

In reply to this we may observe that :

(a) The L.C.C. did ask the Government to introduce legislation applying to the whole country, but the Government refused. Would the F.B.I. change its attitude if such a Bill were introduced ?

(b) The Bill does not propose to rate empty property as such. It proposes to rate the land value in all cases whether the land is used or not. This may be objectionable to land speculators, but why should "industry" oppose it ?

(c) As the proceeds of the rate on site values would reduce the amount to be derived from the present system, the burden upon buildings and improvements would be reduced. This would give rate relief where it is really needed. "De-rating" gives the biggest relief to the manufacturer whose factory is built on dear land.

(d) The Income Tax, Schedule A, like existing local rates, is levied on the annual value of the use made of land and is largely a burden on buildings and improvements. The proposed rate on site values is entirely different. In any case, would the F.B.I. support a proposal to levy a tax on land values for national revenue ? If not, the objection is irrelevant.

If this attitude of a federation of *industries* surprises our readers perhaps an explanation of it is that this self-same F.B.I. is the notorious advocate of protectionism and crooked taxation.

## TOTTENHAM BOROUGH COUNCIL Urges Middlesex C.C. to Promote Bill

AT THE meeting of the Tottenham Borough Council on 20th December a resolution was passed urging the Middlesex County Council to seek powers to rate site values upon similar lines to the legislation now being promoted by the London County Council.

Ald R. C. Morrison, M.P., in moving the resolution, said that public men and women in increasing numbers were realizing that drastic reform of our rating system was long overdue. This burden of rates tended to become heavier and heavier on the householder, the tradesman and the small business man. A new source of revenue was needed, and he thought that his resolution indicated the need of a newer and fairer system. It was time Parliament permitted such a system.

The County Council should call upon the owners of site values to shoulder a portion of the rate burden, he said. At present these landowners escaped the rate, although they benefited from all the facilities which the rating system brought.

"Thousands of concrete examples could be given of landowners benefiting in this way and not shouldering their share of the rate," added Mr Morrison. "I will not give any local examples because I do not wish to raise any personal feeling, but I will give three outside examples of what I mean. The first is the tube railway from Manor House to Cockfosters, for which this Council agitated for years. Land along the route rose from £200 to £1,500 an acre, and not far from Cockfosters Station the price was £2,000 an acre."

The second example referred to marsh land which the Leyton Borough Council sought to purchase ; and the third to the many miles of arterial roads which had been constructed by the Middlesex County Council, which had resulted in enormous increases in land values of the adjoining land.

The resolution was seconded by Ald E. A. Jay, and carried without opposition.

At the Annual Meeting of the Nottingham and District Property Owners' and Ratepayers' Federation (reported in the *Nottingham Journal*, 16th December), Mr E. S. Booth, Secretary of the Leeds and District Property Owners' Association, said that if the Bill being promoted by the London County Council for the rating of site values were successful it would not be long before the Corporations of Nottingham and other large cities adopted the same procedure. We cordially agree.