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# Mineral Resources and Land Used for Public Services

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IN ITS ATTEMPT to calculate the wealth of the nation the Central Statistical Office has been hampered by a 'paucity of information' for some sectors, 'in particular for local authorities for which valuations are perhaps weakest' (Bryant 1987: 101). The position is affirmed by the Audit Commission, which states that 'the full extent of local authority property holdings in England and Wales is unknown' (1988: 1).

The Audit Commission has, however, suggested that the value of local authority land and buildings, excluding houses, amounts to more than £100 billion. This figure was calculated thus (in 1987): the annual debt charge related to property is over £2.5bn, which implies a residual debt value, or a historic cost less depreciation property value, of some £25bn; multiplying by four converts approximately to current prices. But the result is regarded as an underestimate. John Banham, the Controller of the Audit, stated in 1986 that these assets are 'probably worth of the order of £200 billion' (1986: letter).

Central government is somewhat better informed about its assets. The annual reports of the Property Services Agency (PSA) contain floorspace statistics for the UK Civil Estate, and what Bryant (1987: 116) called 'a desk valuation' was made in 1982. This came up with an estimate of 'about £3bn' (personal communication). The office floorspace was 7.2m m<sup>2</sup> in March 1985, which was 11.4% of all office floorspace, excluding Scotland and Northern Ireland's commercial and local government offices (PSA 1987: 35). Total floorspace was 11.6m m<sup>2</sup>, equivalent to 2.2% of

industrial and commercial floorspace in England and Wales. Area figures are not available, however, except for the Defence Estate, which may be assumed to be already included in other land uses.

Floorspace statistics are available from the Department of the Environment and the Welsh Office for local government offices in England and Wales. In 1985 they amounted to 5.3m m<sup>2</sup>, which extended pro rata would be almost 6m m<sup>2</sup> for the UK — slightly less than the central government equivalent.

To estimate the areas of the various public land uses the information gleaned for public sector holdings in 1972/3 by Professor F. E. Dowrick (1974) has been combined with the relevant details from Table 4: VII. The following assumptions have been made to complete the coverage: that one-fifth must be added to Dowrick's schools and one-tenth to hospitals to allow for private provision (CSO 1987: 57, 132; Inland Revenue 1986: 79); half of the land used by education and the police is playing fields and therefore 'open space'; central government occupies as much as the 2,200-odd ha estimated by Dowrick for all local government offices, libraries and museums (in view of the floorspace statistics); church premises occupy 4,000 ha; and the value of residential estate roads is included in the value of houses (Bryant 1987: 117).

With these adjustments Dowrick's figure for public buildings and institutions in 1972/3 becomes 79,000 ha, as against 77,000 ha for 1985 in Table 4: VII.

Placing a value on these areas requires an even broader brush treatment. However, the average capital value of housing land in Britain in 1985, ascertained in Chapter 6, provides a bedrock upon which a tentative structure of values may be erected. Table 9: I sets up such a structure by suggesting the opportunity cost of current land uses. Public utilities are not included as they were valued on a par with industry in Chapter 7.

As a check on the results, the local authority share (including all open space and roads) amounts to £42.1bn, which is 21.1% of John Banham's high estimate for the value of buildings and land. This seems reasonable.

Also, according to a National Audit Office report (NAO 1988: 6), the hospital estate in England comprises 2,000 buildings and more than 50,000 acres (20,243 ha). In 1985-86 the capital value

**Table 9 : I**  
**The value of land used for public services**

<i>Land use</i>	<i>Area</i> ( <i>'000 ha</i> )	<i>At</i> ( <i>£'000/ha</i> )	<i>Total value</i> ( <i>£m</i> )
Education land (minus playing fields), hospitals and prisons	62	277 (housing values)	17,174
Government offices, social services, libraries, museums, police and fire stations, churches	15	1,180 (about half of commercial values <sup>1</sup> )	17,700
Urban transport land (other than residential estate roads)	114	111 (two-fifths of housing values <sup>2</sup> )	12,654
Rural transport land	343	2.61 (agricultural values <sup>2</sup> )	895
Urban open space	230	69.25 (say 25% of housing <sup>2</sup> )	15,928
<b>Total</b>	<b>764</b>		<b>64,351</b>

1. See Chapter 7, Table 7:V.

2. Reflecting Inland Revenue Valuation Office advice (Bryant 1987:117).

of the buildings was estimated at £13bn, with the sites worth well in excess of £4.5bn. This broadly confirms the hospital valuation in Table 9: I, though it suggests that it may be on the high side.

### Mineral Resources

The Central Statistical Office has been unable to assess subsoil deposits 'largely because of the difficulties of valuation' (Bryant 1987: 108). However, the effects of volatile prices and fluctuating estimates of reserves on capital values need not worry us here as it is the annual economic rent that ultimately concerns us.

As the general public is once again largely in the position of 'owner', one would expect the government to be rack renting the

commercial mining companies and that the annual value of the nation's minerals would be evident. This is not the case, however. Again the British people are unaware of the annual worth of the assets that belong to them.

Peter Lilley, Economic Secretary to the Treasury (1987- ), has proposed reforms. He has written,

auctioning the licenses subject to a known tax regime for future discoveries . . . is the only way to extract, on behalf of the public, 100% of the value of the North Sea oil rights attributable to them as owners whilst leaving sufficient incentive for efficient exploration and development.

This is done in America — where private landowners showed the way — but

in Britain we have almost always given away licences subject to a fixed royalty and a uniform oil tax regime (albeit a more severe one than operates in the U.S.A. or Canada).

On the U.S. outer continental shelf in the quarter century up to 1978

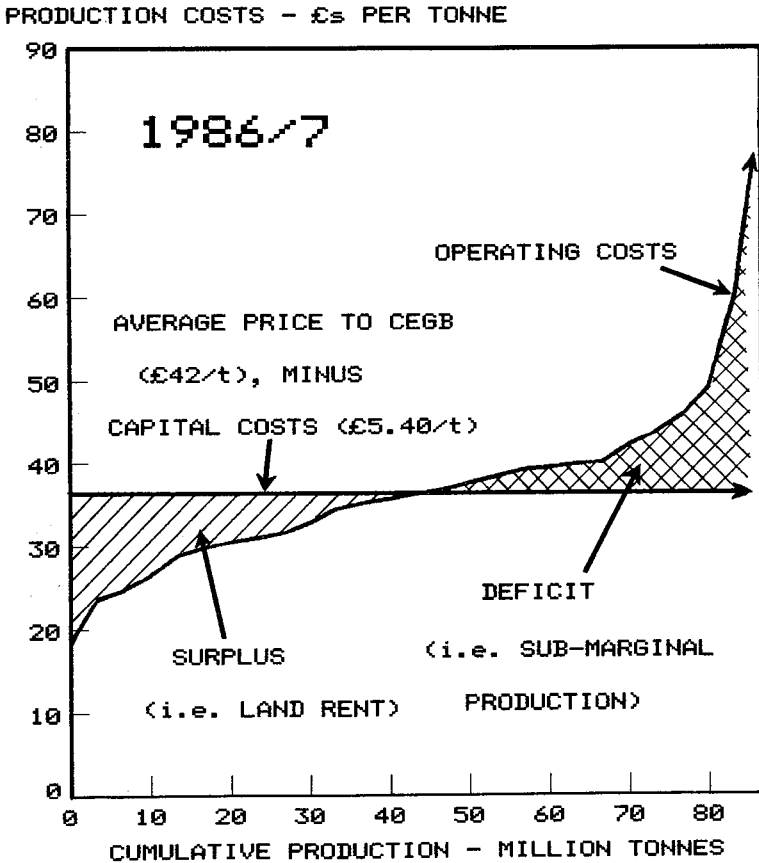
the cumulative receipts from lease sales, royalties and rentals, but not including corporation tax on profits, amounted to 70% of the total value of all oil and gas so far produced' (Lilley 1980: 24, 25, 5, 17).

Government revenue from the North Sea (including corporation tax), having risen more slowly than output, and destined to decline more rapidly, peaked in 1985 at only about 60% of the annual value of output (*Financial Times*, 12 February 1985). Garnaut and Clunies Ross agree with Lilley's view that 'it seems a mistake to forgo the extra revenue that might be raised by auctioning licences' — and, they add, by 'a simpler additional tax more closely related to profitability' (1983: 293).

Three token auctions of exploration licences have taken place. In the ninth licensing round, in 1984/5, 15 blocks were sold for £120m while the remaining 180 blocks were offered for discretionary allocation. Only 78 of the latter were licensed, but if these had raised on average half as much as the blocks sold they would have realized another £300m for the British public.

Figures from the Brown Book of 1986 suggest that up to two-thirds of the value of British oil and gas production in 1985 may well

Figure 9 : I  
Derivation of British Coal's land rent



Source: *Financial Times* (1987 : 2, 4).

have been 'land value', or economic rent (i.e., sales minus all production costs): 'The overall average cost per barrel is £7 (\$9) for all the fields currently in production on the UKCS ... These estimates are based on production and costs before payment of royalties and taxes. They include the costs of exploration, development and operation over the expected life of the fields, but exclude abortive exploration costs not attributable to individual fields. A real return on capital of 10% is assumed' (Dept. of Energy 1986: 58-9).

As the average price per barrel of oil in 1985 was £21 — the volume of output being 0.962bn barrels (Dept of Energy 1986: 2) and its value £20.291bn (British Geological Survey 1987: 1) — the surplus over production costs was £14 per barrel, or £13.47bn in total.

Comparable figures are not published for natural gas production, but if the same proportions apply this would add another £1.2bn to annual economic rent in 1985. The Gas Levy, designed to recoup from British Gas some of the economic rent that it captures as the mining companies' sole outlet, raised about £0.5bn in 1985 (British Gas Corporation 1986: 21).

Coal and other minerals also have to be considered. In Scotland 'operators have paid as much as 450% of agricultural value' for coal bearing land, 'in addition to the royalty paid to the National Coal Board' (IRVO Autumn 1985: 78). The NCB records the net book value of its mines and land at around £1bn (NCB 1986: 40), and Figure 9:I indicates that their annual land value may be about £0.3bn. The shape of the graph, however, suggests that small improvements in operating efficiency would give more than pro rata increases in economic rent. £0.5bn should easily be possible, perhaps even £1bn a year. Here we shall take the middle figure because it corresponds to a traditional 12½% royalty on production, which was worth £3.899bn in 1985 (British Geological Survey 1987: 1).

A 12½% royalty on the value of the rest of UK mineral production in 1985 would have yielded £0.183bn. The total mineral land rental value for the UK in 1985 by these calculations, therefore, was £15.353bn. Pro rata for GB this becomes £14.93bn.