TOWN PLANNING AND LAND VALUES

Extract from the Speech by Lord Douglas of Barloch during the Second Reading of the Town and Country Planning (Scotland) Bill in the House of Lords, November 4th

When I was a very young student of economic and political questions, not many years after the passing of the first Town Planning Act, I had the pleasure of discussing these matters with those who were experts and pioneers in this question. The great apprehension which was then in the minds of persons interested in promoting town planning was the difficulties which would arise because of the high demands which it was expected would have to be met in compensation for restrictions imposed upon the use of land, and the price which might have to be paid for land acquired for public purposes.

We now seem to have gone round to quite the opposite point of view, and I am not sure that that is entirely a good thing either. It can be made too easy to impose town planning restrictions if they are not going to cost the planning authority any appreciable sum of money. After all, site values do represent something which has to be taken account of in the economic life of a country. They represent a consensus of opinion on the part of possible users of land as to the desirability and utility of the particular site in question. If that is wiped out by town planning restrictions, the inference in the first place is that the net result has been that a less profitable use of land has been imposed upon the owners and upon the possible users of the site. Undoubtedly in many cases that is necessary and desirable, but there is a certain value in requiring the planning authority to take into account the cost of what it is doing and set against that the value which it anticipates will come to the community in the long run out of what is done.

Here we have a Bill which excludes entirely from the scope of compensation for planning restrictions a very wide variety of conditions on land use. It appears—perhaps I am wrong in this construction—that if somebody has a plot of land upon which it would be possible to build twenty houses and the planning authority says, "No; you shall build only one upon it," that does not attract any compensation at all. These are drastic powers and they could lead people to adopt courses which would ignore the real values which are at stake in this matter.

Another anomaly which arises out of this Bill and its English counterpart is that, where land is acquired by a public authority for any purpose whatsoever, not merely for the purpose of carrying out some town planning operation, that land is acquired at a special price dependent upon the existing use value and the amount of the development value which was or should have been assessed under the Act of 1947. For my part, I am quite unable to understand why, when a piece of land is bought by a builder, let us say, in order to build a house upon it, he should have to pay one price, and if the local authority buy exactly the same piece of land for precisely the same purpose they are enabled to obtain it at a very much lower price. That is an anomaly which it is really extremely difficult to justify.

Another general criticism which I want to make is that this legislation has become far too complicated. The parts which remain of the development value and compensation provisions of the 1947 Act are grafted into this one and coupled with the general complexity of all these provisions, making it almost impossible for those who are concerned with the practical business of land development to know where they stand. I think that if a change had to be made from the 1947 provisions with regard to compensation and betterment, it would have been far better to make a clean sweep of the whole thing and to leave the compensation to be paid, either upon the imposition of restrictions or upon acquisition for public purposes, to depend upon the market value of the land.

In saying that, I am not ignoring the fact that there is another element of public interest in these matters which is very important and which is not to be neglected. The site value itself—apart from the value of the buildings and improvements which happen to be upon the land—is essentially something which has been created by the activities of the general public. It is in a very real sense a community value, which ought to make a contribution to the community which has created it. That could easily have been dovetailed into the general picture if provision had been made for charging the expense of compensation for restriction or for public acquisition upon a fund which was derived out of a general levy upon site values. In that case, all landowners would have been put upon a precisely equal footing. There would have been none of the discrimination and inequality which arise out of this Bill. It would have been a great deal simpler to work and people could have understood it. It would not have caused the difficulties and confusion that will arise out of this legislation. It is a great pity that a real endeavour was not made to simplify the whole problem and to put it upon a basis which would have been advantageous to the planning authority, to the public and to those who wished to develop land within the framework of planning as it has developed from time to time.

IMPORTANT DEVELOPMENT IN VICTORIA

Central Valuation Department Being Established

The Melbourne *Progress*, November issue, makes an important announcement. It is that the Victorian Government is bringing forward a Valuation of Land Bill that was read for the first time by the Minister for Public Works (Mr. Merrifield) on September 15.

This Bill seeks to establish a central valuation authority under the control of a Valuer-General on lines now in operation in Queensland, New South Wales, Tasmania and in New Zealand.

The Valuer-General's Department is to be independent of any taxation or rating department and so freed from any vested interest in its own valuations. The Bill provides for the training and registration of valuers to ensure competence.

The need for a valuation authority whose officers will bring uniform methods and principles to their valuations has been long recognized by public and semi-public authorities. The lack of such a Central Authority to make valuations acceptable for all authorities requiring them has meant endless duplication, litigation and annoyance to all concerned and multiplied the cost of valuations. The position in Victoria has been that one parcel of land may be valued by separate valuers at widely different figures for Federal Land Tax, State Land Tax, Water Supply Rating, Municipal Rating, Probate, Selling Value, Mortgage Value and Land Compensation for acquisition.

The establishment of such an authority as proposed in this Bill has been urged by all parties in the State at

various times over the past forty years. Municipal conferences have unanimously carried resolutions seeking this Bill. It was one of the recommendations of the Commonwealth Rural Reconstruction Commission that each State should take steps to establish such a Valuer-General's Department as now proposed. We hope that this Bill is carried and becomes law in the near future.

A MEETING IN SOUTH AUSTRALIA

The Henry George League of Kimba, South Australia, honoured the memory of Henry George at a picnic and sports gala, October 17. Mr. Reg. Carlaw, president, welcomed members and friends and among those who spoke were Messrs. James Sampson, A. E. Hutchens, Shaefer and Charles Frick. A lengthy report by the secretary, Mr. Arnold Schubert, appeared in the local press.

The sufficiency of land values to meet all the proper costs of Government was the theme of Mr. Sampson's address. Taxation on the work of man's hands he condemned as "legalized thievery", and to support that contention he referred in detail to the hoards of non-productive officials required by such tax policies, armed as they are with inquisitorial powers which should not be tolerated. He spoke of the privilege and responsibility of those who understood the Henry George doctrine of equal rights to bring economic light where political darkness now prevails. This duty had been discharged with courage and distinction by their late colleague, Mr. J. P. Moore, whose death was a great loss to the League, and Mr. Sampson invited those present to join him in paying tribute to this uncompromising champion of social justice.

Mr. Hutchens stripped tariff "protection" of its plausible wrappings to show it in its true light as sheer, naked exploitation, a powerful contributory cause of depression and war. Mr. Frick acknowledged his personal debt to Henry George whose works had provided him with the knowledge and power to debate with and dispose of all classes of political opposition, and Mr. Shaefer, in simple and moving language, illustrated the harmony between ethics and economics in an address entitled "The Earth is the Birthright of all Mankind".

ASSESSMENT OF SHOPS AND BUSINESS PREMISES

Major Tufton Beamish, M.C., M.P. for the Lewes Division, has received the following letter from Mr. H. Macmillan, then Minister of Housing and Local Government, as a result of letters from correspondents who were disturbed about the effect on shops and business premises of the new Valuation for Rating Act:—

"It was the Local Government Act, 1948, which laid down that at the revaluation houses were to be assessed on pre-war values, while it made no change in the law dealing with the assessment of other properties, so that they remain to be assessed in the ordinary way on current rental values. The Valuation for Rating Act, 1953, merely corrected the technical defects of the Act of 1948, but it did not touch the distinction between houses and shop properties.

"The new arrangements for assessing houses are restricted to the forthcoming revaluation, and the whole position will be reconsidered after then. It should, however, be remembered that where a shopkeeper lives over his shop, the part of the assessment attributable to the residential part of the premises is to be estimated on 1939 rental values."—*Estates Gazette,* October 16.

In the debate in the House of Commons, May, 1953, on the Bill which introduced this embroidery, Mr. Macmillan admitted that this differential treatment of houses was wrong. He comforted himself by saying that "the inequity would not operate until the whole of the reassessments were completed" and meanwhile all we could do was "to watch and pray"!

THE "BURDEN" OF THE RATES

(*By A. G. Bradburn* in the SOUTHSEA RATEPAYER)

Shopkeepers and owners of retail businesses will be among those most seriously affected by the provisions of the Valuation for Rating Act, 1953. This Act attempts to repair the unworkable Local Government Act, 1948, which required the estimation of construction costs and building values as related to the year 1939.

The 1953 Act retains the provisions of the earlier Act whereby the contribution from commercial premises is greater than that from houses. This arbitrary segregation of human interests overlooks the fact that shopkeepers also have homes and it is surely a self-evident fact that the interests of shopkeepers and their customers are identical. A new formula for rating assessments that could be made to work was promised when the Government introduced the interim stand-still measure—the New Valuation Lists (Postponement) Bill in 1952. The promise has not been kept. Instead the centuries old punitive principle of rent valuation has been restored, so that any attempt on the part of shopkeepers and retailers of goods and services to improve working conditions by alterations or additions to existing premises is met with an increase in the assessment of the rental value of their property.

It is really not surprising that the frustrating and penalizing effect of this system of local taxation has become known in common parlance as "the burden". Yet it is the duty of all citizens to make their proper and equitable contribution towards the cost of essential services, particularly as by their very nature these cannot be provided by citizens in their individual capacity.

For many years now there have been repeated protests against the increasing cost of the rates. Election addresses of local government candidates of all parties have contained promises to be ever watchful of municipal expenditure. To-day, when magistrates feel compelled to express misgiving in passing sentence on law-abiding citizens whose means no longer enable them to pay their rates, and when municipal treasurers are finding increasing difficulty in enforcing payment of rates, it is no exaggeration to say that the "burden" has become intolerable. The grants-in-aid and other financial assistance given by the national exchequer and paid for by the ratepayer in his dual personality as taxpayer have assumed such proportions that the problem has arisen as to what further extent a shrinking young population of producing workers can carry the burden of providing in taxation for an increasing proportion of older state dependents.

Governments have long realized that the system of levying rates on buildings is inimical to economic well-being. The relief afforded to manufacturing interests and to agriculture has to be paid for by retailers, wholesalers, non-manufacturing and professional businesses, and by the rest of the ratepayers. It is difficult to understand the logic of legislation which treats producers, distributors, and consumers as if they were independent entities.

The present rating system is inequitable in its incidence. Site value is a subject peculiarly suited to local taxation by reason of its arising from community influences, and it is accordingly desirable that the present burden of local expenditure should be transferred from rates to a rate on site value. Such legislation is in operation in Denmark, New South Wales, Queensland, Victoria, New Zealand, and other parts of the world. Its beneficial results are beyond dispute.