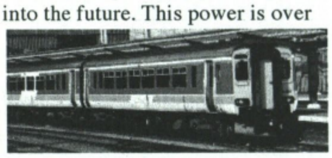
breaking ground

Green light for new rail line

The Scottish Parliament has endorsed plans to reopen the Waverley rail line to the Borders. The Committee responsible for scrutinising the Private Bill to enable the development has published its preliminary report.

The new link will connect the desirable Scottish borders area to the economic and housing hotspot of Edinburgh. The present public transport journey time, by bus, is two and a half hours. The train will cut that to under one hour.

The project sponsors have understood that opening the new rail line will greatly enhance local land values. As part of its funding package, the Bill contains provisions allowing the promoter to levy contributions from local developers for up to 30 years into the future. This power is over



and above the local authority's ability to force section 75 planning gain agreements on new local development.

There is a principle behind this approach to project funding - but the actual plans being proposed pervert it.

The new financial powers will tend to stifle the project's likely success. The effect might not be noticeable in a rising housing market. But problems will become apparent if the housing market enters recession, which some predict it will do - stalling by 2007 and entering full recession by 2010. In that situation, project income from developer contributions will dry up. And, fatally, the project will come to be a drag on local development. The project hopes to be operational by 2008.

While the project effectively will penalise new development in the borders, existing property owners will find their house values freely bolstered by the development. **L&L** has reported early signs of this happening already.

While new development in the borders will be penalised by the new Waverley rail link, sitting householders will enjoy a windfall gift in rising property values courtesy of, in particular, their incoming neighbours, and, in general, the generosity of the UK taxpayer.

Tax reform: worth the transition?

The Institute for Public Policy Research is probably the foremost think tank in Britain today. It enjoys unrivalled access to and influence in Downing Street. So when they organise a high level seminar entitled 'Land Value Tax: Worth the Transition?' a few weeks into a third Labour term, it is surely significant. Could this represent a new interest in land tax by those close to the government? It would certainly make political sense, as Iain McLean, Professor of Politics at Oxford University, told the assembled experts and luminaries.

McLean noted that every 100 years or so, the principle of capturing land values for the community comes to dominate the agenda - and that now the argument is gaining force again with new urgency. At the same time, he said, Britain had never successfully solved the questions of local taxation - inevitably storing up trouble which explodes in periodic crises roughly every 20 years. Professor McLean believes that we are now coming to the top of both of these cycles simultaneously - which means the next few years could represent the best chance for reform in a very long time - just in time for the 2010 centenary of Lloyd George's People's Budget.

The next speaker, Dr John Muellbauer, pointed out that with Council Tax revaluation for England scheduled for 2007, the whole of this issue can only get hotter. Muellbauer's analysis of the problems and pitfalls of property taxation was detailed and coherent - and like everyone who spoke he had nothing good to say about Kate Barker's proposed Planning Gain Supplement. Anxious not to shock the economy, his proposals are very modest: a mild reform of council tax and business rates, making land ownership part of the basis for hybrid valuations.

Richard Brooks of the Fabian Society rounded the event off with some hard political logic: local tax reform has always been a thankless task. And so the political attractiveness of inaction should not be underestimated.

All in all this was an interesting and stimulating event signalling progress for land value tax arguments. IPPR deserve credit for bringing the subject of reform to such an influential group of delegates.

letter from the editor

While the resolutions flowing from G8 might have eased today's 'snapshot' problem of international debt, the ongoing structural problem of trade justice remains. The NGOs are befuddled on the way forward.

ActionAid International provides a good example of the confusion. The organisation certainly realises that trade is key. "Trade rules keep poor countries locked into a failed free-trade model of development. Unless the G8 change their trade policies", says ActionAid, "the development package on offer will remain dangerously inadequate."

Yet while one arm of ActionAid condemns 'failed free trade', Adriano Campolina Soares, its head of operations in the Americas, condemns 'protected' trade. The G8's failure to deliver trade justice, according to Campolina, comes down to its ongoing support for protectionism, not freedom. "The US has no intention of giving up or lowering the massive subsidies it gives its cotton farmers, that are forcing 10 million farmers in west Africa out of business."

Europe's Common Agricultural Policy is suffering condemnation on a similar basis. The West's protection of its own economies - through subsidies, tariffs, trade substitution and a medley of more obscure and nefarious means - is severely harming the ability of enterprise in developing nations to operate or trade fairly, both domestically and internationally. So Western protectionism is criticised by reformers.

At the same time the West-dominated international institutions - principally here the WTO and the World Bank - are criticised for the imposition of rules on trade and aid which clearly bolster the arm of the already strong - the West's corporations - which remove the control of local resources (water and other utilities being good examples) from local ownership, control and management, and which damage the ability of weaker economies to gain strength and compete. These rules are promoted under the rubric of market 'freedom'. Kevin Carson elsewhere in this issue discusses the dishonesty behind the common language of free trade. But still, 'freedom' in trade, too, finds itself the subject of criticism of campaigners.

The NGOs are clearly lost. Whatever, the protection/free trade dichotomy is certainly no longer valid - as Thomas Wheeler argued in the last issue.

Anti-poverty charity War on Want added its condemnation of the lack of progress at the G8. They pointed out that, by the UN's own calculations, trade subsidies alone were costing developing countries between $125bn and $310bn a year in lost sales and lower prices for their goods. Yet War on Want also say "'free trade' has led to increased poverty and environmental degradation on a grand scale." War on Want's enclosure of that phrase within apostrophes is important. Reformers do seem to be aware that things are not quite what they seem to be when in comes to achieving trade justice: people do sense a falseness in the language of the West. Can 'freedom', exercised within moral constraints, really be bad? The NGOs are clearly unsure.

The predominant trade paradigms are being driven further and further apart. The NGO's are finding themselves on the horns of a dilemma.

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