

# Site value rates would stamp out this kind of vandalism

● IN THE UNITED STATES, Chester Rudnicki took a sledgehammer to his patio to knock \$50 off his property tax... a modest saving, but a symbolic act of defiance and destruction that highlights a serious problem.

● IN BRITAIN, industrialists are destroying millions of square feet of floorspace to escape having to pay rates, the local property tax that is levied on the value of both land and buildings.

The recession has brought 175m sq ft of vacant industrial floorspace on to the market.

According to King & Co., a leading London estate agency, industrialists are paying £60m rates on empty property in England and Wales, a burden that they can ill-afford in the face of near-zero profit.

But as the wave of destruction sweeps Britain,

● Industrial land is still fetching very high prices – £500,000 an acre in some areas;

● Entrepreneurs find it tough to secure premises, at reasonable rents, to open up new businesses. So the government is providing rent-free accommodation in an attempt to alleviate unemployment (see table).

In this article, BERT BROOKES analyses the phenomenon of "de-roofing" in one area, the industrial wasteland of the West Midlands, to show how a tax on capital improvements is a disincentive to wealth creation – and will delay recovery from the worst recession since the 1930s.

IT WAS a United States judge – one Chief Justice Marshall – who, as long ago as 1819, made that memorable remark that "the power to tax is the power to destroy."

Just what it was, in the case of McCulloch versus the State of Maryland, that prompted the judge to make such a profound observation may never be known.

*But the truth of what he said may be found in the histories of almost every country in the world.*

We have all heard of ill-considered taxes which have directly caused the destruction of the things that were intended to bring in the revenue.

● In Britain, we have had the window tax, and bricked-up windows can still be seen around the country to-day.

● In France, a tax on fireplaces led to a similar orgy of bricking-up.

● In the Middle East, a tax on date-palms resulted in the trees being chopped down and used for firewood.

● In South Africa, a tax on wheels led to the widespread use of sleds which tore up the earth and brought plenty of hard work for the people but little revenue to the Treasury.

But of course, some will say that these events are from the long, long ago, when the side-effects of bad taxes were still being painfully learned... nowadays, we know better... things are now very different.

*But are they?*

IN GREAT Britain today, taxation can still be lethal. A large number of valuable industrial buildings in the West Midlands, occupying millions of square feet, are under sentence of demolition. Buildings with plenty of life still left in them – and of considerable economic significance to the country – will soon be reduced to rubble.

The reason? Not erosion caused by the elements or a lack of funds for maintenance but the effects of a tax – in this case, the U.K.'s property tax, otherwise known as the rates.

It seems that, in the throes of recession and dwindling order-books, many industrialists are objecting to paying rates on buildings which they are having to keep empty and idle.

One way to avoid paying rates on a building – drastic though it may be – is to remove its roof, thus making the premises unusable. Now,

in desperation, industrialists have resorted to the "de-roofing" of vacant or redundant buildings to ease the burden of costs.

*Even more alarming is the fact that "de-roofing" is now being widely encouraged – regardless of the damaging impact on the nation's capital assets.*

Mr. John Young, the director of policy and planning at the London Stock Exchange, recently urged the Confederation of British Industry to follow the example set by Rubery Owen, one of the biggest engineering firms in the West Midlands.

This firm has saved £250,000 in rates by "de-roofing" one of its warehouses in Darlaston. The building covered 750,000 sq. ft.

Rubery Owen's chairman, Mr. John Owen, ordered this drastic action after the local authority, Walsall Council, refused to reduce the rates

## RENT FREE PERIODS GRANTED BY ENGLISH INDUSTRIAL ESTATES CORP.

Region	Number	Value (£'000)
North Eastern	70	834.7
North West	30	402.3
Yorkshire and Humberside	13	49.0
East Midlands	4	20.8
South West	10	152.8
Total	127	1,459.6

SOURCE: *Industry Act 1972*, London: HMSO, 1982, p.82.

on the unused building.

Walsall Council's chief executive, Mr. Viv Astling, could say only this: "We are aware of what is going on and we understand the reasons for it."

But from removing roofs, it is only a short step to complete demolition.

If the situation worsens – and if, as seems likely, the West Midlands is typical of many areas of Britain – the economic consequences for industry, when the tide of recession changes, could be calamitous.

Capital that may be laboriously scraped together to provide new, modern equipment will have to be diverted – to build or restore factory buildings.

Indeed, the economic revival in the areas concerned could be significantly held back by the extra cost of getting new production under way. There seems no doubt that today's destruction of buildings represents a very serious loss to Britain's industrial potential.

**R**ATES in Great Britain are payable on the annual value of land and buildings taken together in their existing use. Vacant premises are rated at the local authority's discretion.

On vacant commercial properties, some authorities charge only 50 per cent of the full assessment, or even remit the levy altogether. Although West Midland councils generally charge at the 50 per cent rate, this, in the case of a valuable commercial building, is still a substantial overhead to any hard-pressed industrial concern.

Small wonder, then, that industrialists are being driven to take the desperate measures of de-roofing or demolition.

The present Conservative government is committed to a reform of the rating system insofar as it falls upon domestic properties. It apparently, has no plans to disturb the rating of commercial properties.

Evidence compiled by *The Times*<sup>1</sup> shows that a change for industry is urgently needed.

*At a time of unyielding recession, there could be no measure more beneficial to industry than to remove, once and for all, the burden of rates from buildings and other improvements.*

This would not only provide enormous relief to industrial concerns striving to remain afloat. The prospect of being free to erect new buildings, and to improve and extend existing ones without carrying the mill-stone of rates, would also inspire confidence and bring nearer the day of economic revival and the long-awaited resurgence of employment.

For an alternative source of revenue to replace industrial rates, Mrs. Thatcher and her Ministerial colleagues need look no further than the ground beneath their feet.

The rating of site values, besides bringing in the revenue, would bring more land on to the market and cause the price of land generally to fall. For British industry, it would be another shot in the arm: the perfect complement to the de-rating of its buildings.

No tax on land ever resulted in land being destroyed. The taxing of land values is one tax against which Chief Justice Marshall would have overruled every objection.

#### REFERENCE

1. Baron Phillips, "Void rating lifts the roof", *The Times*, 13.9.82.

## 'Stop raising the roof'

**THE WAVE** of de-roofing has led a Tory M.P. to demand the de-rating of vacant factories and warehouses.

Mr. John Heddle says that a council's powers to levy void rates – the local property tax – should be abolished.

Since 1967, councils have had the power to charge 50% void rates on empty industrial buildings.

Mr. Heddle's constituency is Lichfield,



● John Heddle – the government should act, says the MP.

whose local council is one of only two in the West Midlands known to give void rates relief.

Mr. Heddle, who is secretary of the Conservative Parliamentary Environment Committee, says that the loss of revenue could be made up from a property tax on government and crown property owned by statutory undertakings, such as regional water authorities.

## NEWS in BRIEF

### The Queen and the speculators



**Q**UEEN BEATRIX of the Netherlands is anxious about land speculation and inner city decay.

And during her recent State visit to Britain, she called on Ken Livingston, the left-wing leader of the Greater London Council, to find out how he was coping with the problem.

After a private session, Mr. Iltud Harrington, the council's deputy leader, said: "She asked about land speculation and our measures against it, ethnic groups and the whole problem of economic intervention."

### Tax protest

**GEORGE CURTIS**, a farmworkers' union organiser for Lincolnshire, one of England's eastern counties, has been dismissed as a magistrate.

He refused to sit on the magistrates' bench in Bigg because he disagreed with enforcement proceedings against agricultural workers for non-payment of rates, the local property tax.

He protested that farmers who had previously paid the rates for tied cottages and deducted only part of the bill from tenants' wages were now making tenants pay the total rates bill.

Mr. Curtis believes the whole of the property tax should fall on the unimproved value of land.

### ARRESTED!

**KENYA'S** most outspoken M.P. is Koigi Wamwere, who has persistently tried to present radical solutions to his country's most controversial problem – land.

In his constituency, Nakuru, one farm accounts for almost half of all ranch land.

Mr. Wamwere's efforts, however, are not appreciated: he has been under arrest since August at a secret detention centre. His family are not allowed to visit him.