who makes monetary assessment of the physical measurements. He applies the cost element to the physical measurements. The valuer is a professional man with training who has to use judgment and perhaps decide on what basis the house could be let. The basis of valuation on which they would have to be engaged is unworkable, and this being so, it would be the height of folly to go on with measuring all the houses in the country. It has been asked whether we would go ahead with all hereditaments other than houses. My right hon. Friend has made it clear that he would not do that because it would be excessively unfair. It is better to bring in a scheme as a whole rather than piecemeal. We have to consider this against the background of the present equalisation scheme as to which in answer to a Question on 12th March, 1952, my right hon. Friend said: '. . . the Government have decided to begin, in the new financial year, an investigation into the operation of the equalisation grants. It must be understood that the Government cannot contemplate changing the system in any way which would increase the burden of grants on the Exchequer, but this investigation will have the scope and be conducted in the manner required for the statutory investigation in the year in which the revaluation comes into operation.' So already discussions have taken place with the appropriate local authority organisations. They started about three months ago. And, in effect, we are looking at the operation of the Exchequer equalisation grant in order to see if the operation of it can be made fairer to the local authorities concerned."

MR. ERIC FLETCHER (*Lab.*, Islington, East): "One has heard it said over and over again in local government circles that of late years there has grown up a sense of frustration due to the fact that the independence of local authorities has been sapped and undermined by the increasing inroads of central administration. But, if we are to achieve the ideal of a healthy and virile local government, one of the essentials is that local authorities should have a greater measure of local autonomy. The Minister knows as well as I do that he has had repeated representations by the Association of Municipal Corporations and others to the effect that local authorities should be given additional opportunities of raising revenue. In their absence it becomes all the more important that the Minister should do everything he possibly can to expedite the provisions of this central valuation list, because it is linked with a further point—the question of de-rating or the abolition of de-rating. There is persistent pressure from local authorities to abolish the de-rating which was introduced in 1928 in circumstances which were totally different from those which exist to-day. That de-rating was a concealed subsidy. A Measure to abolish de-rating should be introduced."

(Second Reading of the Bill carried without a division.)

DEVELOPMENT CHARGE REPEALED—MIXED MOTIVES

The Amending Town and Country Planning Bill Debated December 1

The Minister of Housing and Local Government (MR. HAROLD MACMILLAN): "The White Paper* sets out the general plans to deal with the problems which have arisen: the Bill deals only with one stage in carrying out that general plan. Thus, the White Paper is more comprehensive than the Bill. Another and more elaborate and complicated Bill will be required next year to complete the whole operation. The Government are proposing certain radical alterations in the financial provisions of the 1947 Acts, but we stand firmly upon broad planning provisions. Planning, in its broad sense has come to stay to preserve good agricultural land; to encourage the development we want in the proper places; to secure the exploitation of valuable mineral deposits; to restrain the inter-war sprawl of the growing cities, and to preserve the countryside.

"There are three important features of the existing financial provisions. The first is the £300 million fund. According to the law as it stands the Treasury must effect payment by the middle of 1953. The fund was intended to meet the claims of anyone who could show that his interest in land was materially reduced or depreciated by the provisions of the 1947 Planning Acts. During the period between the passing of the Acts and the date fixed for the payment of the sum there was no knowledge as to what would be the total of the agreed or arbitrated claims. In fact, the total comes to about £350 million.

"The second feature was the development charge. When planning permission is given, there is likely to be an increase in the value of land following on that permission. The development charge was to be paid on the value of this increase.

"The third feature of the existing financial scheme is the compulsory acquisition of land at existing use value. Under the Acts, when land is bought compulsorily, all that has to be paid is its existing use value, and that sum, of course, may vary with changing agricultural policies or with changing monetary conditions. Nevertheless, it is always the existing use value, and the reason is that, as described, the development value—the difference between agricultural and building value—is conceived of as already extinguished or purchased by the State out of the £300 million fund.

"The £300 million fund was to compensate people whose land had a development value in 1947, and who might have their land bought compulsorily at the existing use value; or be prevented from building upon land which was ripe for building; or, if allowed to build, might have to pay development charge. Under the existing Acts compensation would go to people who have no present intention of developing their land; to people who have not been refused permission to build, and in some cases to people who did not want to build at all. It might even go to people who have bought land for the specific purpose of stopping building upon it. Why should the State buy all the development and compensation rights and do the job in one fell swoop when, in order to achieve its planning purposes, it is not necessary to pay compensation until there is damage? Why pay out £300 million now in order to do planning work which may have cost perhaps £40 or £50 million by the time the pay out was due, and which will perhaps not cost more than £100 million in the foreseeable future?

"People who pay a development charge fall into two classes, those who have bought their land recently who are supposed to have bought it at present use value, and those who have owned it for a very long time. Or it may be an industrial developer wishes to add to his factory on land which he or his company have had for a very long time. Whatever may be the theory, a man who already owns the land deeply resents having to pay a development charge on land in his own possession; it may be the turning factor in his mind to make him hesitate to make the development at all.

"The most important thing in our life to-day is productivity, development, effort, expansion. The people whom we must help and encourage are the people who do things and those who create wealth—the developers, big or small, the people who do things and who create work, be their sphere humble or exalted. Therefore the Government have decided to abolish the development charge.

"Now let me speak about compensation. There has been compiled the development rights as agreed or arbitrated as they stood in 1947. On the basis of this valuation the compensation will be payable, but only, so to speak, as it is earned. It will be 'Pay as you go.' Compensation will be paid on the basis of the admitted claim either in the case of compulsory acquisition or in the case of refused planning permission when these events take place. Land owners have had no expectation of receiving more than the 1947 claim. Therefore, they are by no means worse off. Where injury

* Cmd 8699. Amendment of Financial Provisions. H.M.S.O. Price 6d.

is inflicted they will receive what they expected, and many will receive more, for we shall base our payments on the full value of the admitted claim, we shall pay them 20s. in the £ as and when these sums are due. Therefore, most of these owners who really have suffered injury will be better off by 20 per cent more than they expected to be. An overwhelming reason why we should retain the 1947 valuation is that if compensation had to be paid in future on values as they accrued, unknown and perhaps heavy claims would fall upon the community.

"If land is not required for compulsory acquisition or compulsory preservation, there is nothing fundamentally wrong in its being sold like any other commodity in the ordinary way. It is quite true that profits may be made, but under present taxation, from any profits realised the State is a great and sometimes the greatest beneficiary. [MR. R. R. STOKES (*Lab.*, Ipswich) here interrupted to ask whether the Minister saw "any difference between creating wealth and land values which are created by the community and not by the landlord?" MR. MACMILLAN refrained from giving a direct answer, remarking incidentally: "I know that those to whom the memory of Mr. Henry George is the guiding light in their lives are fanatics, and that is the end of it."—Ed., L. & L.]

"The price of land for development may rise in the first instance, because the owner is to get nothing out of the £300 million and the developer will not have to pay the charge, but I trust that the price will not rise to the point which the development charge might have reached if we had maintained it as a permanent feature in the system. When the market settles down it may well prove to be highly competitive, for many of the individual developers have got their land, and many builders have got their land for many years to come. Another safeguard to which the Government attach great importance is the compulsory purchase order by which land can be bought at existing use value with a fixed ceiling upon its development value. That fixed ceiling is the 1947 valuation. The land owner will have to sell his land for council houses at the present use value plus the amount of the admitted claim. What about land for private development? It is our firm intention that the local authorities should, where necessary, arrange that this part of the estate should be acquired in the same way and made available to the private developer. The same will apply as necessary should the land be required for industry. It may not be necessary to have recourse to this weapon, but the fact that this power exists and will be exercised is an immense weapon to prevent exploitation.

"A main criticism is that something called betterment will come into being and not be taxed; that the main purpose of the 1947 Act was to tax betterment. If it were, it was a very bad way of doing it. The real purpose of the 1947 Acts was to facilitate planning; they were planning Acts and not taxing Acts. Betterment which may come into being will be taxed in a lot of ways under the ordinary taxation system of the country; but whenever land is acquired or developed by a central or local authority, or when it is in the public interest to prevent it being developed, the owner will not enjoy betterment because the land will be purchased at the 1947 values.

"It is impossible for the compensation payments already due to some, which they were expecting in 1953, to be met until 1954. However, when they are met these payments will be met at 100 per cent and not 80 per cent, where the whole development value is lost, and they will carry interest from 1948. I am sorry for those people who have already paid the development charge. They will feel rather badly treated, but the charge is in the nature of a tax—although it cannot be exactly compared with an ordinary budgetary charge or tax—and according to a long-standing tradition of our taxation system, money paid is not refunded because a tax is modified or abolished.

"Many problems will need further sifting and studying before the Bill is finally drafted. We shall try to make the unwinding as fair and equitable as we can. There will, of course, be difficulties and even hardships. We have tried to protect the Exchequer from paying out large sums before they are due and from paying out some sums which will never be due at all. Secondly, we have tried to have regard to what will stimulate and benefit production and ease the burdens upon the men and women in our country who are prepared to take risks and do something for themselves. Finally, we have tried not to disturb the general settlement of compensation values, the aim of which has been to protect national and local interests. Subject to that, we will allow and even welcome the return to a free market, but if the free market should be exploited, we have in our legislative and administrative arsenals powerful weapons which can be deployed, and these we shall not hesitate to use."

MR. HUGH DALTON (*Lab.*, Bishop Auckland) had moved along with MR. R. R. STOKES (*Lab.*, Ipswich) and MR. LINDGREN (*Lab.*, Wellingborough) rejection of the Bill on the ground that it "provides no means for the recovery by the community of socially-created land values, endangers the effective powers of local planning authorities to check undesirable development and by depriving the Central Land Board of the power of compulsory purchase, exposes the developer to extortionate charges." MR. DALTON said: "The Bill gives to the private landowner, tax free, the whole of the socially-created value of the land due to development. On the other hand, other landowners are paid at the public expense, because the compensation is coming eventually out of public funds. Therefore, in either case the landowner scores as a result of the Bill. If planning permission is permitted, he scores because he gets tax free an addition to the value of his land. If it is refused, he still gets compensation at public expense, even if after an interval of time, but sometimes with additions—payment in full instead of only at 16s. in the £ which would otherwise have been payable under the scheme, and payment of interest also over a period dating back to 1948. In these respects the landowner to whom permission is refused likewise comes well out of this transaction. Therefore, this is, in my view, a profoundly reactionary Bill. How important it is we will discuss, but its nature is profoundly reactionary.

"There is no doubt that the development charge, even if its defects have been exaggerated, is not very popular. That is quite clear, and that is partly because the idea behind it has never really penetrated the consciousness of the ordinary person. The tax has sometimes fallen very heavily upon small people. But, when all that has been said, it has taken for the Government and for the community a certain element in the socially created value of land, and, therefore, we do not feel that this Bill can be defended in so far as it fails to give, alongside the abolition of the development charge, some indication that some other form of levy upon the socially created value of land will now be introduced.

MR. DONALD WADE (*Liberal*, Huddersfield W.): "I agree with the statement in the introduction to the White Paper that 'The experience of four years has revealed serious practical difficulties in the working of the financial provisions.' I think that that is a remarkable understatement. But more serious

than those practical difficulties, more serious than the appallingly complicated nature of this legislation, is the fact that the development charge has discouraged development. In this respect there is a fundamental difference between the development charge and the taxation of land values. I do not think this is sufficiently well appreciated. For instance, a Question in March, 1950, from MR. GRIMOND (*Liberal*) asking for the abolition of the development charge on new houses for owner-occupation in rural areas, and a supplementary question drawing attention to the hampering effect the charge had upon private building, had been construed by MR. J. BOYD CARPENTER, the present Financial Secretary, as an indication of 'the abandonment by the Liberal Party of their belief in the taxation of land values.' Obviously that was not so. This was clearly a case of a *non sequitur*; the hon. Member's reasoning had been illogical, because there is all the difference in the world between a development charge which discourages development and the taxation of land values which was designed to encourage development.

"I think it would be fair to say that those who advocated, and still advocate, a policy of taxing land values have a threefold objective. The first is that the values created by the community should accrue to the community; the second is that development should be encouraged, and that owners should be deterred from holding their land back from development with a view to making a profit in the future; and thirdly, that the system of taxation and rating should be so modified that those owners and occupiers who improve their property should not be penalised by increased rates and increased taxes. It would appear to me that the 1947 Act was an attempt to achieve the first of those objectives; in a very roundabout way, but that was the purpose. It failed completely to achieve the second and third, and for that reason, quite apart from the other reasons which have been stated in this debate, quite apart from the inflationary effect of the distribution of the Fund which would take place if this Bill were not passed, I think the development charge should be abolished. But the problem arises, and the question which has to be asked is: what is to come next?

"There are several respects in which I do not feel happy about the proposals in the White Paper. The most disturbing features, I think, are these: First, the intention to abandon the policy of collecting betterment; secondly, the distinction which will arise between those owners who have to sell under compulsion to a local authority or a Government Department and those who are free to sell to an individual in the open market. It would appear that there will be a very marked difference between the one and the other, and that is bound to create a sense of injustice.

"The fact that the 1947 Act proved unworkable is no proof, in my opinion, that no other method of retaining betterment value for the community, except in certain cases of compulsory purchase, is possible. I think that the time has come to consider carefully whether there is not some other method, and whether, perhaps, the best and simplest method is not something on the lines of the taxation of land values. I realise that circumstances have altered since the beginning of the century.

"It may be impossible to raise all taxes by this one simple method; but the principle is still sound, and I think that very serious consideration should be given to its application. I hope that in considering that suggestion, careful thought will be given to the Minority Report on The Rating of Site Values which contains some very interesting information, and which is all the more relevant now that the development charge is to be abolished."

MR. R. R. STOKES: "We do not object to the removal of the development charge, which we admit has worked out wrongly. It was not a bad conception, but it has worked out wrongly because the landlords did not do what was expected of them, namely, dispose of their land at existing use values. What we object to is that the Government have not suggested anything to put in its place. The abuse inflicted on the developer by rapacious landlords was never intended by the 1947 Act. I welcome the fact that the Government have decided not to pay out the £300 million. To me there is all the difference in the world between paying out compensation for physically created wealth—such as that which was paid to the colliery owners when the coal mines were nationalised—and paying out of public funds compensation to landlords for something they never created. I know that we passed the Act. I was in the minority who protested at the time. I am glad to see that compensation provision out of the way.

"I want to deal with the question of the acquisition of the values which the community have created, and I want to call the attention of the Minister particularly to the Rating of Site Values Report by the Departmental Committee. It is the Minority Report that matters. It is drawn up and is signed by three men who really understand the problem, as do many of my right hon. and hon. Friends. It provides the means whereby under the existing legislation land values may be recovered for the people, and I urge the Government at least to take the necessary steps to enable a proper rate or tax on site values to be brought in by providing that an extra column, showing the separate value of land, shall be put in all the valuation schedules now being drawn up under the 1948 Local Government Act. We all know how landlords block development. We have all had hard experience. To remind the House, I should like to quote the example of the great 1930 Charing Cross Bridge scheme. That scheme was estimated to cost £17 million, of which £11 million was to be paid out in compensation to landlords. The thing was absolutely ridiculous and, of course, the London County Council refused to go on with the scheme.

"To take a small example nearer home, let me refer to the buildings on Horse Guards Avenue, which I once had the privilege of occupying. The buildings there were first estimated at a cost of £1,750,000, but the compensation paid out for the ground was £1,300,000. Everybody complained about the cost of the buildings, but not a word was said about the cost of the ground. I suggest to the House that it really should have a look round the world to see what a vivifying effect taxation of site values has. The Government ought to consider this, and not regard it as a political issue. It is a factual one. God made the land for the people, and they created the values, not the landlords. What has happened? [Mr. Stokes cited as examples the beneficial effects experienced by Sydney, N.S.W., Johannesburg and Denmark.] Let me remind the Minister that no fewer than 279 county and borough councils up to May, 1947, had applied for the right to rate site values, and if he is not content with all this, I should like to quote one or two things that the Prime Minister has said in his past life before he forsook the paths of rectitude. [Mr. Stokes here quoted from speeches made by Mr. Winston Churchill at Drury Lane, April, 1907, and in Edinburgh, July, 1909. They are among the oft quoted historic statements by Mr. Churchill and we give them again in another column—ED., L. & L.]

"This Bill might very well be termed the 'Speculators' Charter.' It is simply a permission to plunder. Everything is sacrificed on the altar of unearned income, and if the Measure receives our assent tonight, quite certainly unemploy-

ment will rise and wages will fall, because as unearned income goes up earned income must fall.

"This Government will tax anything except the publicly-created value of land. They tax a man for earning, they penalise traders for trading and manufacturers for manufacturing. They regard a man's earnings by his individual efforts as a proper source of public revenue and the value of land which the community creates as a source of revenue for private interests. If that is not topsy-turvy economics, I do not know what is."

MR. ERNEST MARPLES (the Parliamentary Secretary to the Ministry of Housing and Local Government): "In the 1947 Act there is a basic notion of compensation and betterment as a sort of pair of Siamese twins, but there is no necessary connection at all between the payment of compensation and the collection of betterment. Planning can take place without betterment being levied, but it cannot, in common justice, take place without compensation being paid to owners who are being hurt. Referring to what Mr. Stokes said about the speeches of the Prime Minister in 1907 and 1909, betterment is not the serious problem which it was in 1909, either financially or morally, for three reasons. First, in 1952 we have compulsory purchase orders on a substantial scale for any land the public wants. This makes certain that no landlord can hold up development if the public wants the land and it makes sure that the local authority and the community do not pay too much for the land, because the basis is the existing use value plus the 1947 claim. Secondly, income tax with surtax and other taxes is far greater in 1952 than it was in 1909. The area of the problem of betterment has shrunk a lot. The other matter is that of Estate Duty. In 1909 on an estate of (say) £300,000 the duty would have been 11 per cent or £33,000. In 1952 it would be 60 per cent, or £180,000. Therefore, the problem really is very much smaller than it was in those days." [MR. STOKES: "I was talking about re-acquiring for the people the land values which they themselves had created; not about buying and selling land."] "All right, I will deal with this question of rating of site value. One thing is quite certain, the weight of opinion has always been that the rating of such values is impracticable." [HON. MEMBERS: "No."] The Erskine Simes Committee of 1952 made a recommendation in their Majority Report against the rating of site values." [MR. STOKES: "They were hopelessly out."] "The Report of the Kempe Committee in 1914 sets out the pros and cons in quite a masterly way. There the Committee found against site values by two to one.

"I come now to the question of compensation. Our proposals are to pay compensation only to those people who suffer and to pay it as and when they suffer. The Government pay as they go along and the landlord only receives benefit as he suffers. The Chancellor is saved paying out £300 million next summer, and in all probability the total compensation will be no more than £100 million spread over a generation or so. The Government cannot escape the corollary that compensation must be paid to implement the planning which they have approved. They intend that effective planning control is to be maintained in the hands of the local planning authorities. When claims for compensation are presented, following the local authority decision that development must be refused, the Government will expect to be satisfied that the decision is sound in all the circumstances. If property under this scheme is to be compulsorily acquired, say in 1960, the owner would receive a sum comprising two elements: first the development value—at the 1947 value—and the existing use value of the day, that is, the 1960 existing use value. That means he may gain in two ways. Under the 1947 Act he was to receive compensation for loss of development value at possibly 17s. or 18s. in the £. Under our proposals he will get 20s. in the £, and he will receive the 1960 and not the 1952 existing use value.

"I come now to the question of compulsory acquisition. The 1947 Act provided for the compulsory acquisition by the Central Land Board. Our proposal is to use the local authorities for compulsory purchases. In the last four years the Central Land Board have issued 26 compulsory purchase orders to force prices down to try to make the 1947 Act work. Local authorities have made hundreds of orders for housing, industry and open spaces. Generally speaking, the local authority buys a large area of land from many people and it will then sell or let parcels of that land to many separate individuals. The Central Land Board buy from a specific individual because another specific individual asks them to. It is extremely difficult to ask a body like the C.L.B. to do such a job. If three people ask for a compulsory purchase order on a site in Central London, on what principle do they base their award of that land to one speculator or developer? It is asking too much of a body like the Central Land Board to undertake that invidious task.

"To be successful, a betterment charge must do five things: it must fall on the owner and not on the developer; it must not stop development; it must not stop land passing from one person to another; it must avoid creating injustices greater than those it set out to solve; the revenue collected must be a reasonable amount compared with the cost of collection.

"The 1947 Act put on the Statute Book by a Socialist Government, collected money from poor people who intended to do something and gave it to people who intended to do nothing. Let me illustrate that. If in a village a man wished to use the front room of his house as a shop, the Central Land Board charged him £40 for the privilege. The money went towards the £300 million compensation which the Socialist Government decided to pay, a large part of which went to two classes of landlords who were undeserving. The first were those who sold it to the developer and in so doing collected development value twice—once from the Government and once from a private individual. The second were the landlords who never intended to develop.

"A letter came the other day from an agent representing a rich landlord, and I will read a sentence or two to the House. He says: 'My client is very perturbed that the Government is going to alter the claims on the £300 million Fund. The reason he is perturbed is that he has no intention of building and thus he will get nothing.' What a shame. He gets nothing for doing nothing; but if the 1947 Act stays he gets £1,000 for doing nothing."

(The Second Reading was carried by 303 votes to 273.)