WHY TAX THE TOOLS OF PRODUCTION?

Industrialists Deplore New Rating Proposals

IN the press and at board meetings leading industrialists are protesting against the economic folly of taxing factories, plant and machinery. This, they point out, raises production costs and end prices and operates inequitably. Their criticisms and fears are justified but their suggested solutions are at best timid and inadequate.

Consider, for instance, the powerful letter the president of the British Iron and Steel Federation, Mr. C. R. Wheeler contributed to *The Times* recently. He recalled that the 1929 Act (which granted 75 per cent rating relief to factories, etc.) "was presented by the Government of the day as a reform of the system of local taxation clearly desirable in principle. Ministers repeatedly stated that the use of industrial buildings as an index of ability to pay was an historical accident and bad in principle; that this produced serious inequities between the contributions paid and the benefits received by different classes of ratepayers," and so on.

The Government had given no clear case for overturning the principles underlying the 1929 Act, Mr. Wheeler claimed. Under the present Rating and Valuation Bill, the steel industry's share of the total rate assesment, which has already doubled since 1958-59, may rise still further to between one and a half times and twice as much as now. "Rate costs racing upwards from 4s. a ton of steel in 1958-59 to 8s. a ton now and possibly to about 14s. a ton in 1963-64 provide a strange background to present pressures upon the industry to increase exports." These figures rested on the optimistic assumption that local authority spending would not increase when the revaluation takes effect.

Concluding, Mr. Wheeler urged that if the Government decided to ignore widespread concern as to principles and consequences, at least "the new Bill should remove some of the inequities of the present law which will bear so heavily on industry once partial derating is withdrawn. For example, the rating of process plant as well as of buildings falls with particular severity on a few heavy industries, including steel—where coke ovens, blast furnaces and steel furnaces are assessed for rating purposes. This inequity should be removed."

Conservative M.P. for Pudsey, Mr. J. Hiley, welcoming Mr. Wheeler's letter, mentioned that in Standing Committee he had been defeated by 23 votes to one when he had striven to prevent the rerating of industry. "Today many suggestions are being made to stimulate export sales, but here in this Bill we are doing just the opposite by continuing to tax the tools of industry."

MODERN MACHINERY

The chairman of the finance and taxation committee of the Association of British Chambers of Commerce, Mr. A. E. Aylmer, pointed out that the effect of rates on costs varies very widely. It is small in light industries but very serious in the heavy. "It must be wrong in principle to rate the tools of production. That becomes evident when the more up-to-date a factory makes itself the heavier the rate burden, for, in general, modern machinery is rated more heavily than the old which it should displace. Is there any reason at all why derating should not continue for industrial plant even if it must go for the factory buildings?"

A director of Courtaulds, Ltd., Mr. H. R. Mathys, stated that the man-made fibres industry shared the fears and concern of the steel industry. "The combined results of the 1960 Plant and Machinery Order and the new Bill will be to penalise disproportionately heavily capitalised industries, such as our own. Factories with many independent units of machinery, working on batch systems, are now giving way to large integrated plants which are highly mechanised and work on continuous processes. These plants are necessarily costly, and since they are vital to the maintenance of our competitive position at home and overseas it is a matter of real concern to find that now, apparently solely by reason of their size, they are to be penalised through heavy rates ... It is hard to understand the logic of the Government's policy which seeks to encourage new investment and then taxes not only the profits arising from it, but even the investment itself."

THE validity of Mr. C. R. Wheeler's figures for local rates per ton of Steel was disputed by Mr. Frank Othwick, secretary of the Rating and Valuation Association in a letter in *The Times*. Until the domestic derating factor was known the steel industry's share of the rates could not be estimated. What was there in the Bill which attempted to rate tools of production? If anything the Bill should ease the position of all classes of ratepayers who may have rateable plant and machinery on their premises. "Process plant is not generally rated at all and the basis for rating other plant and machinery has been virtually unchanged for 34 years." Mr. David J. Young, financial director and secretary of The Steel Company of Wales Ltd., rejected these contentions.

The Rating Reform Campaign and its Dartford, Kent, representative, Mr. W. D. Farr, was featured in the *Gravesend Reporter*, January 28, in an article by Hugh Witt prominently spread right across the top of a page. Campaign literature was freely quoted to make a comprehensive and intelligible case for imposing local taxation solely on the site value of land.

Today (the new *John Bull*) published an article purporting to "explode" what it called The Big Rates Bombshell in its February 4 issue. Editorially the magazine called the present rating system "unworkable and unfair" and urged the need for a "sensible system". Land value rating was not mentioned.