

# Parliament And The Rates

By 298 votes to 216 (5 of the 6 Liberal MP.s voting with the Government), the Commons gave a Second Reading to the Rating and Valuation Bill on November 30. The Labour Opposition put down an Amendment declining to proceed with the Bill until a full inquiry had been made into the financial relationship between central and local government under modern conditions. The Amendment which was defeated, referred to recent increases in house rents and to the prospect of an inequitable burden on domestic ratepayers.

**I**N his speech moving the Second Reading, the Minister of Housing and Local Government, Mr. Henry Brooke, discussed the principal provisions of the Bill clause by clause. With some temerity he remarked: "Without an equitable and acceptable system of valuation for rating purposes it is hard to see how our democratic local government could be carried on." Under the Bill current values would be assessed, just as the 1939 values were in the 1956 valuation, "as though there were no rent control." The Bill would not affect Schedule A income tax valuations.

Until 16 million separate properties had been revalued—by some time in 1962—nobody could be sure what increases there would be in the assessments of the three main groups, industrial, commercial and residential properties. But if Parliament did nothing, the share of the rate burden "falling on householders would be greatly increased, perhaps by about one-third or more. The Government do not think that sudden changes of this magnitude are defensible more particularly as the occupiers of houses have to pay their rates out of net income whereas industrial and commercial ratepayers pay out of gross income and can charge their rates as a deduction from profits for tax purposes."

The power to derate houses partially for 5 years (Clause 2) and by varying degrees from place to place was being taken as a precautionary measure. Such partial derating meant that part of the burden would be shifted back on to industry and commerce. "So far as one can judge, that is almost sure to leave shops, offices and hotels still bearing a lighter burden than at present . . . I am sorry if any additional burden has to be placed on industry at all, because, although we all know that most industries and most firms are prospering, there are always some firms and some industries that are not doing so well. At the same time, it is right to bear in mind that, on average, the rates paid by industry are estimated to be less than 1 per cent. of the total turnover. . ."

The intention was to get back towards everybody paying on full current rentals in place of the unsatisfactory chaos of different bases. The temporary derating of householders had one purpose only—"to ease the transition from 1939 to 1963 house values."

In 1962, when revaluation is completed, the statutory deductions from gross value in respect of the cost of

repairs and maintenance would have to be re-examined. They applied to virtually all non-industrial buildings and almost certainly would have to be revised. Power to make such revision already existed.

For 31 years agricultural land and buildings have paid nothing. "One practical consequence of that is that no valuations of property for rating purposes exist. The job of carrying out a complete valuation of agricultural property throughout England and Wales would be so tremendous, coming on top of all the other revaluation which has to be done from now onwards, that I am advised that, even if we legislated for it here and now we could not be ready to start collecting rates from agriculture before 1968. So it could make no contribution to the primary purpose of the Bill, which is how to cushion the jolt for householders in 1963 from 1939 values.

"Bearing in mind that agriculture is already a subsidised industry, and also that the total yield from the rating of agriculture would be a very small percentage addition to the total yield of rates, which, last year, was £648 million, the Government cannot believe that it would be worth while at this time to set in motion the whole machinery of valuation of agriculture for rating. Between now and 1968 it would be pure expense, because the valuation would cost money, and until 1968 it would bring nothing in by way of rates."

At present "there is no logic or guiding principle" in the rate treatment of charities. That was a second major reason for the Bill. The new provisions for rating water undertakings did not look simple but he was assured that they were much simpler than those they would replace. "I am advised that if we enact them they should create far less work for lawyers than the old system of assessing water undertakings by reference to the accounts or receipts or profits."

The carefully thought-out Bill would have been much less good but for the Working Party's "critical examination of shortcoming and anomalies in the present law". Dismissing the Opposition Amendment, Mr. Brooke said his concern was to ensure that the revaluation which, by law, had to be completed within the next 2½ years was carried through in an orderly way, and put into effect with fairness to all concerned.

## "STIFF FOR HOUSEHOLDERS"

**M**R. G. R. MITCHISON (Lab., Kettering), opening for the Opposition, said that it looked as though the ordinary householder was to carry an increase which was about six times that of industry, shops and offices, and without the benefit of any tax deduction. "That is pretty stiff on the domestic householder. Even if it were

only twice, it would be bad enough". He calculated on the basis of figures provided by the Minister and on the assumption that house assessments might be trebled, that industry's share of the total rate burden might fall from nearly 12 per cent. to under 10 per cent., while dwellings, which now carry 47½ per cent. would carry no less than 72½ per cent. "That is a very sweeping change and when the right hon. Gentleman talks, as he did today, about softening the blow and making it a little bit easier, he is concealing the severity of the blow which he proposes to inflict on ordinary householders."

What was meant by willing tenants and willing landlords? Because of the Rent Act and the housing shortage tenants were willing to pay almost anything. Rents were artificially high. "The basis of rating is the hypothetical tenant — the year to year tenancy — and, whether the house is owner-occupied or not, it is on these 2 million so-called 'free market houses' that the whole thing has been founded."

**Mr. Brooke** intervened to say that the relatively small sector of decontrolled tenanted houses would not be conclusive evidence to the valuer of what the free market rent would be. He would have to take into account what the rent would be if all houses were decontrolled.

**Mr. Mitchison:** "I hope that the right hon. gentleman will not take it amiss if I say to him that no one is so deaf as he who does not wish to hear." The Minister was responsible for rents being excessively high. All the talk about "softening the blow" meant that the Government recognised that unless they did something indignation would be excessive. It might even bring the Government down. The power sought to derate houses partially was the most extraordinary excess of ministerial power he had ever met. The Minister could "let off the domestic householder 100 per cent. if he wishes, if he gets away with Clause 2 of the Bill. The Rt. hon. Gentleman can make it 50 per cent., 60 per cent., or anything he likes. He comes to this House to say, 'I want these powers. I cannot tell you what the reduction, if any, will be, because we have not got the necessary information yet.' Some things are high-handed even for a Tory Government. Some things are oppressive even to a London tenant. If this is not one of them, I do not know what is . . . He asks us, in effect, to trust him, to trust the benevolent Minister who is responsible for the Rent Act, to trust that dear friend of tenants all over the country, to see that the domestic householder is not unduly oppressed. That is a good deal for anybody to ask."

A review of some kind was clearly overdue. "If we cannot make a proper logical rating system without something in the nature of this Bill, then there is something wrong with rating. If we cannot deal with grants to local authorities otherwise than by a general grant, and if we find that our only way of protecting, to use too favourable a word, the Treasury is by the adjustment of the general grant, then there is something wrong with the grant system. If we say that our object is to put everyone on the same logical footing of present values but that,

none the less, we are not to rate agriculture, there is something wrong with the present system. I am not saying that agriculture should be rated and I am not saying that any particular conclusion should be adopted in the matter. I simply say that the time has arrived to look into this matter . . . This is an unsatisfactory Bill. It ought to be rejected in the interests of the domestic householder, particularly the small domestic householder. He is not being fairly treated. He is being left to the mercies of the Tory Government, and if that is the inevitable result of the present rating system, we had better look at it again."

#### *APPLY DESCRIBED*

**SIR Derek Walker-Smith** (Cons., Hertfordshire, East): "Rating today is so entangled with abnormalities and artificialities that it is only by a concerted thrust on a broad front that we can hope to achieve a useful result . . . Our rating system is a tessellated mosaic of abnormalities." Though welcoming the Bill, he would have preferred, if one could have isolated the industrial position, not to have chosen the present time for rerating industry.

#### *SIGNIFICANT OMISSION*

**Mr. G. A. Pargiter** (Lab., Southall) believed that Clause 2 was only in the Bill for the purpose of getting over the next General Election (due 1964) and thereafter householders would be fully rated. Most significant was the complete omission of any reference to agriculture. Even the County Councils' Association favoured the rerating of farm buildings. Why should the towns and cities with rate incomes produced from industry and dwelling houses be any different from the countryside? Country districts had to maintain roads many of which were of value only to farmers and those connected with farming. Horticulture ought also to be rerated if the principle on which the rating system rests is right. If it needed assistance that should be given in an open, above-board way.

**Mr. John Diamond** (Lab., Gloucester) criticised as illogical the proposed treatment of charities. He believed they should be given full relief, but at least a clear cut decision was needed. Householders were being asked to bear a wholly inequitable and excessive burden. Industry had been derated for a third of a century; why should not householders be derated for a similar period? Members were being asked (Clauses 2-5, 8 (3) and 12) to give the Minister complete authority and discretion.

#### *"VICIOUS FOLLY"*

**SIR Samuel Storey** (Cons., Stretford) protested against the proposal to rerate industry. He recalled what Sir Winston Churchill had told the House in 1928 — that local rating, a sixteenth century conception, was wholly inapplicable to modern industrial production and that the practice of levying taxes on the tools of production was in its nature and essence economically unsound and vicious, for rates enter directly into the cost

of production and affect the competitive power of industry abroad. At the time, the present Prime Minister (Mr. Harold Macmillan) had hailed the derating of industry by 75 per cent. as the most important, most comprehensive, most daring and most progressive proposal put forward by a Conservative Government. "Yet today a Minister in this Government is proposing to go back to the economically unsound and vicious sixteenth century conception of rating the tools of industry. At a time when the competitive power of industry abroad was never more important, when the shadow of depression is on the far horizon of some of our exporting industries, the rerating of the tools of production seems folly." He hoped the Government would think again. Industry's contribution should come out of profits earned rather than out of a levy on the means of production.

#### A BREATH OF SANITY

**MR. DONALD WADE** (Liberal, Huddersfield) said he had some sympathy for Sir Samuel Storey's view though he found it hard to justify existing exemptions. If the Bill had any merit it was that it was a step towards some degree of uniformity. He doubted whether derating had had much effect even before the war and he had frequently voted for its repeal. Industrial rerating would not go very far to offset the substantially increased burden falling on householders.

"Three major criticisms can be made of the Bill. First, there is no attempt to deal with the present out-of-date method of raising local revenue. Secondly, the existing system imposes a penalty on improvements whilst leaving unoccupied property and vacant land not liable to rates. Thirdly, the Bill does not alter the increasing burden on ratepayers.

"It is an anomaly that development of property should be penalised, and when industrial premises become fully rated this will be all the more appreciated by industrial firms. Those who improve their factories and make the best possible use of the land on which the factories are built will find that their assessments will go up. That seems quite inconsistent with a policy of encouraging an expanding economy. Similarly shopkeepers who improve their shops — by putting in larger shop fronts, for instance — will find that their assessments will go up.

"Even dwelling-house assessments may go up as a consequence of improvements. For example, if one divides a large house into two flats, making it into two separate hereditaments, the assessment on that building will be greatly increased; it might be doubled. The rates on my own house were doubled when I divided it into two . . . .

"On the other hand, vacant land is free from rate burden. There are many examples today of buildings kept empty or of land kept vacant deliberately in order to hold out for some high price resulting from the rise in

site values. We all know that some fantastic prices have been paid. . . The time has come when the rating of site values should be carefully examined as an alternative method. It is not a new idea, but we should look at it again, and we can take evidence from certain parts of the Commonwealth where it is already in operation. That would meet the point made so eloquently by the hon. Gentleman that we should not impose, as I put it, a penalty on the development of industry.

"This Bill rearranges the incidence of the rate burden, but it does not stop the burden growing as a whole. It seems to be the intention of the Exchequer to put a greater burden on the rates. To speak bluntly, it seems that Government policy is to force up the rates. Householders will feel the effect of that policy most severely, hence the relief afforded under Clause 2 . . . The system which the Bill attempts to amend is, in my view, out of date, illogical and deserving of condemnation."

#### "IDIOTIC NONSENSE"

**Mr. J. T. Price** (Lab., Westhoughton) said the rating system was a piece of completely idiotic administrative nonsense which was not repeated by any other State in Europe. "For example, it places a penalty on improvements of all kinds, whether industrial or domestic, and it frustrates by all kinds of absurdities the proper application of the principles of equity to the citizens of this country." He feared that rate poundages would not be reduced to the same extent as rateable values would rise. It was in the nature of the administrative machine to spend as much as possible.

**Mr. John M. Temple** (Cons., City of Chester) thought rates were the best method known in this country of raising local revenue despite Mr. Wade's "passing reference" to the taxation of site values. It would have been fair to have taken power to derate other sectors as well as the domestic sector for a limited period, tapering-off (as suggested by the F.B.I.) until all categories were rated 100 per cent. Septennial revaluation would be preferable to quinquennial revaluations.

#### ROYAL COMMISSION NEEDED

**Mr. G. W. Reynolds** (Lab. N. Islington) thought that the intention of the Bill was, in effect, to retain the *status quo*. Then why go through all this performance? He wanted a Royal Commission or some similar body to examine impartially the various suggestions such as local income tax and rating of site values which were being canvassed. Industrial and commercial property was consistently undervalued in many parts of the country. The Bill was a smoke-screen to give publicity and political credit to the Conservatives in next year's local authority elections. Although he doubted whether there would in fact be a revaluation in 1963, he had no great objection to Clause 2.

## IMPROVEMENTS PENALISED

MR. Ronald Bell (Cons., Sth. Buckinghamshire) argued that the Bill would increase industry's rate burden. "I am a little sorry that, having given to our industry this advantage since 1929, we should now give it away. I think that it is probably unwise to do that. It would have been better to achieve the balance by some other device." He agreed with Mr. J. T. Price that the rating system was out of date and chaotic. "It is an extraordinary system which dates from the times of the first Queen Elizabeth. It took its present shape when it was purely a poor rate. It was sensible that people should contribute to the relief of the poor according to the size of their house. The richest people gave most to what was, in effect, charity. Nowadays, rates are primarily the payment for local services, and there is no sense in the method of assessing them upon the size of the premises occupied. And industry may pay enormous rates for no apparent reason. It may get very little advantage from local services and may even have to pay for the disposal of its domestic refuse. Some hon. Members opposite suggested that agriculture should be fully rerated — not merely the farm outbuildings, such as the cowsheds and barns although what advantage they get from the local authority services it is difficult to say, but even the land itself. I listened for some explanation of what services a field of turnips would get from the local authority. It was suggested that the grazing rent for fields should be taken as the net value and that the farmer should pay rates on that. That is carrying the old 1603 system of poor law to the most absurd consequences."

The present rating system "strikes at the roots of improvement. If a man puts parquet flooring in his house up go his rates. I hope that one day we shall get rid of this absurd system. I also want to point out its absurdity when applied to industrial hereditaments, to charitable societies, museums and things things like that."

## WIDESPREAD CRITICISM

MR. Arthur Skeffington (Lab., Hayes & Harlington) said that the discretionary powers in the Bill were bound to bring in five or six fields very considerable uncertainty as well as anomalies between one area and another. Since the war, let alone before, the House had spent an enormous amount of time on the unsatisfactory rating system. The Acts of 1953, 1955 and 1959 each dealt partly with an anomaly which arose out of a preceding Act and in itself gave rise to further anomalies.

"It will be seen from the history of the subject, from the criticisms of the Bill, and the reactions of people who have to pay, particularly of the residential occupier, that demand for further inquiries is not just something put forward by the Opposition as a political gesture. There is real feeling about the uncertainty and a real demand that, sooner or later, there should be a Royal Commission. Slowly, but surely, local government finance is

getting into an extremely dangerous condition. Everyone agrees that the local authorities ought to have more independent means of resources . . . .

"A system founded 360 years ago, which was devised in completely different conditions, must, in the very nature of things, be inadequate today. Because we have been afraid to do the thorough research that is required and bring in an alternative system, this has given rise to an extraordinary number of anomalies of all kind . . . . There is no branch of the law which can give rise to more profitable litigation to those fortunate to practice in the law of rating. I think that it would be a good thing to take away that source of income. A friend of mine makes a substantial income from advising local authorities on the rating of sewers. This seems absurd."

## RATE LAND VALUES

Mr. Skeffington said that he very strongly favoured levying a tax on the value of land. "It would bring to the community some considerable wealth which no one can pretend is due to the efforts of the individual who happens to own land. I am talking about large landowners in this connection. It would bring to the community some of this wealth which is the result of the community's own activities, but also, because hundreds of millions of pounds are involved, it would be a method of giving considerable financial independence to local authorities. I should have thought that that would commend itself to everyone who believes that good local government depends to a very considerable extent on authorities getting finance that does not come from the central Government. That is one way of doing it.

"The other schemes, such as Local Income Tax and assigned revenues, are trifling in the amount they could raise, but a tax on site values would yield hundreds of millions of pounds. I know that the Simes Report dismissed that idea, but the conditions obtaining when that Report was in preparation have very largely changed as a result of the sweeping away of the development provisions of the 1948 Town and Country Planning Act . . . . Apart from the other attractions I have mentioned — what seems to be economic justice and greater financial independence for the local authorities — with a system of taxing the land we would not penalise those who keep their properties in good condition, or extend them. It always seems to me to be extraordinary that if one builds a garage, or adds a room to one's house, or keeps the place in good repair, one pays extra just because the house is larger or in better condition and would let for more money. On the other hand, the man who lets his house run down or the slum landlord, actually pays less when revaluation takes place. Of all the various anomalies I have mentioned, that seems to me to be the most grotesque . . . . I hope that it will not be long before we get rid of the present system, which is archaic, complicated, uncertain, and full of anomalies."

Mr. Michael Stewart (Lab., Fulham) said that at present out of every £1 collected in rates over the country as a whole about 10s. came from domestic property. But for the cushioning of Clause 2 the householder would be lucky in 1963 if he found himself contributing no more than 14s.; with the cushioning he might pay 13s. 4d. or a little less at first. The Bill was "part of a strategy, which goes on all the time, a shift of the total cost of maintaining a civilised society away from taxes and towards rates. . . . It is a shift from a method of collection which is comparatively more fair to one which is comparatively less fair and on the whole, a shift of burden from our richer to our poorer fellow citizens."

Referring to "the considerable rise in the value of land," Mr. Stewart said: "The case for some kind of tax which would draw into the public purse some of the increased value grows stronger every day and every month. If a tax of that kind is instituted, it ought not to be beyond the wit of man so to arrange it that it provides local rather than Government revenue. Allied to that is a proposal for enabling local authorities to raise part of their revenue by a rate on site values. I am not myself one of those who believe that that would be the 100 per cent. answer, but it is one possible form of supplementing our present inelastic system, and there are many other expedients."

#### MINISTERIAL WHITEWASH

REPLYING to the Debate, the Parliamentary Secretary, Sir Keith Joseph, said that unless there was a coherent basis or principle behind rating, there was bound to be a great deal of distortion, unfairness and anomalies. Industry had never been more dependent for its export markets on the education and health services provided by the local authorities. Industry's burden would not rise significantly. The Minister was forced by an inexorable time table. Arguments that they should wait for further information were simply calls to postpone revaluation. "This attitude of deferring anything which is awkward is absolutely typical of the attitude of the Opposition today." There was no effective alternative to the Clause 2 procedure. What the Opposition called "artificial rents" were the sort of normal rents which alone would produce the new housing to rescue the people in the dilapidated houses which would remain dilapidated while only pre-war rents were charged.

"Apart from the suggestion about site values, very few alternative ideas have been produced in this debate by hon. Members opposite, and site value has been rejected by Committees and Commissions four times in this century. There are all sorts of difficulties in that idea. Difficulties about land, and difficulties caused by the control that planning already puts on land, are never dealt with by the protagonists of this alternative." The present system should be given a chance before judging it. "Surely those who so easily advocate some alternative system, having never even taken the trouble to work it out in detail, must have the imagination to realise that any alternative system would probably have as many

anomalies, or more, as that which they have so freely criticised today . . . Everyone grumbles about rates and people, not only in this Chamber, casually or seriously, are apt to mention alternative systems which they are sure would be much better, but the fact is that no one has yet brought forward any convincing evidence of a generally preferable way of financing local authority services . . . The debate has produced no convincing alternative system. There is no reason to think that if there was the inquiry which has been asked for that would produce an alternative which would be just round the corner. But 1963 is around the corner. If the Bill is not passed, householders will bear the full impact of current valuations without the relief given by industrial rating . . . That is why I ask hon. Members to support this logical, coherent, and yet humane Measure, and to give it a Second Reading by a substantial majority."

## Correspondence

### EDUCATION IN A FREE SOCIETY

To the Editor of Land & Liberty.

Sir,—In your September issue Mr. Robert Tideman asks: "Can a childless couple properly complain, then, against the state providing free schooling to the ten children of a neighbouring couple? I think not. The childless couple, *when they were children*, had the same opportunity to attend the free schools as is now enjoyed by the ten young fellow citizens nearby."

I think that is very good argument but not good reason. It is better rationalisation than it is justification. The fact that a person is forced to do something as a child is poor reason why he should be forced to pay to make other children do the same thing. Compulsory education means force and that is hardly the attribute of a free society. And even if public education could become permissive and voluntary (which is doubtful), the fact that a child is allowed to enjoy something when young does not mean that he should be forced to pay for other children to partake of the same thing.

Rights are mutual relationships between social units, which might be an individual, or a childless couple or a family. None of those units has a right to expect more from others than it contributes at the time of the trade. A family is unique in that it is a social unit in itself. That is to say it is a *unit*. A family has only as much right to an education as *it* buys. If it doesn't buy any, it should not be forced. A child has no right to command or demand contributions from those outside his family. Conception and birth are not socialised institutions. They are quite individualistic, and only the parents are responsible for children resulting from such processes.

If we could ever free ourselves from the enormous burden of taxes now on our productive effort, the family wage would rise to better permit the purchase of educational services as the family desired them. And if a cer-