

Municipal Conference on Land-Value Rating

With Representatives of Scottish Local Authorities

In the United College Hall of the University, St. Andrews, on August 18, at the invitation of the United Committee for the Taxation of Land Values and the Scottish Land-Value Taxation League, representatives of Scottish Local Authorities met in Conference to discuss the merits of the local taxation reform whereby the rates would be levied on the value of land apart from buildings and improvements, the latter being thus exempted from assessment.

Bailie John Peter, member of the Falkirk Town Council, presiding, the Conference was given a genial civic welcome, on behalf of the St. Andrews Town Council, by the Provost, Mr. David Fraser. Seventy municipal delegates attended and among the bodies so officially represented were: the Town Councils of Airdrie, Alloa, Anstruther, Crail, Cupar, Falkirk, Forfar, Grangemouth, Greenock, Haddington, Hamilton, Inverkeithing, Kilmarnock, Kilsyth, Kirkintilloch, Leven, Montrose, North Berwick, Paisley, Peebles, Pitlochry, Prestwick, Renfrew, St. Andrews and Whitburn; the County Councils of Angus, Berwick, Midlothian and Stirling; the District Councils of Kirkcaldy, Kirkintilloch, Linlithgow, Monifieth, New Milns and Saltcoats; also represented were the National Federation of Housing Societies and the Viewpoint Housing Society, Ltd. The Hall was well filled, the audience made up by the many members of the International Conference which was holding its sessions during the whole of that week in St. Andrews, they attending as "observers" and finding this municipal conference a most opportune interlude in their programme.

To each of the delegates appointed by those Scottish bodies, there had been sent in advance their "conference documentation," this including the following Papers: *The Tenure, Taxation and Rating of Land in Scotland* by Bailie John Peter; *Land-Value Rating, Principle and Practice* (with special application to Scotland) by A. W. Madsen; *Land Valuation and Land-Value Taxation in Denmark*, by K. J. Kristensen; *The Operation of Land-Value Rating in Various Countries* (text of the Evidence that had been submitted by the United Committee to the "Simes" Enquiry Committee); and *The Use of Land-Value Maps*, illustrated with a section of the Copenhagen maps.

Sorn Committee's Reactionary Proposals

Bailie John Peter, before introducing the speakers, said that most of the delegates would have in mind the enquiry committee presided over by Lord Sorn which had reported in favour of such changes in the Scottish rating system as in his (Bailie Peter's) opinion deserved outright condemnation. Debarred by the Government from considering rating relief given to agricultural and industrial premises, debarred alike from even looking at the Treasury subventions which in turn have a most intimate connection with the incidence of local taxation and its many anomalies, the Sorn Committee saw but one alleged reform, namely the abolition of owners' rates. It would throw the whole burden of local taxation on the occupiers. The long-established system under which payment of the rates was shared between owners and occupiers would cease to operate, the tenant occupiers to be indemnified by reductions in rent equivalent to the amount of rates the owners would otherwise pay. But how this mandate upon the owners was to be made effectual and lasting (with rates continuing to rise in the future) was a puzzle left unresolved; on the other hand it was significant how clamorous were the

propertied interests in favour of this new dispensation. Valuations which to-day were revisable annually in Scotland were to be made quinquennially and in other respects the Scottish system was to be modelled on the English, the transformation taking some six years to complete. Ideal conditions, according to the Sorn Committee, would then be reached. A fantastic conclusion. The two systems were equally vicious and unjust in action. The rates were charged on the actual use to which the land was put and so long as they were so charged, whether they were payable by owner or occupier, the ultimate incidence was the same in penalising all building and improvement. As to that aspect of the case the Committee was silent. The Rating of Land Values was dismissed without argument on the score that it had been rejected by a Majority of the Interdepartmental Committee which had reported in 1952. But Lord Sorn and his colleagues did not observe that the 1952 Committee had been obliged to consider the "practicability and desirability" of a site-value rate "having regard to the provisions of the Town and Planning Act" which altogether restricted their enquiry. The Sorn Committee omitted any mention of the Minority Report which, now that the obstructive Development Charge of the Planning Act had been abolished, proved to the hilt the case for the Rating of Land Values. The present Conference had been convened to expound that case and have it discussed. He called on the Hon. F. A. W. Lucas, followed by Mr. A. W. Madsen, to address them.

Johannesburg's Good Example

Mr. F. A. W. Lucas, explaining how the Rating of Land Values had been adopted in the Transvaal, said that their experience had fully demonstrated the wisdom and justice of the reform. In 1914, the Transvaal Labour Party, winning the general election for the Provincial Council (although by a majority of only one) formed the Government. As that Party had declared in favour of the taxation of land values, he joined it and became its leader. He was entrusted with drafting the necessary legislation and in 1916 a law was passed empowering the municipalities to shift their local taxation partly or wholly on the value of land with corresponding exemption of buildings. Johannesburg immediately took full advantage of those powers and ever since 1916 its rates had been levied on land values exclusively. Nineteen other of the 60 municipalities did the same, while the remaining 40 charged the bulk of their rates on land values, thus not altogether exempting buildings. The example of Johannesburg, of which being an inhabitant he was best acquainted, was outstanding. The system had been firmly established and although there had been proposals or attempts, on the part of certain landed interests, to go back on it, the public would not look at them. He contrasted the position with Cape Town in the Cape Province which still stuck to taxing the composite value of land and buildings taken together so that when any building was done, the rates were increased, a stupid system penalising people for making improvements, whereas in Johannesburg they could build and improve and no additional taxation resulted. On the other hand, where any land lay vacant it was taxable on its actual market value so that it was not profitable to keep land idle; steady pressure was thus brought to bear, encouraging the good use of land. There never was any difficulty of ascertaining, and establishing, the value of land apart from improvements;

indeed this separate valuation in their assessments had been the practice even before they began to transfer the rates upon the value of the land alone. That valuation was made periodically once every three years and in their legislation they provided that the rates were payable by each person interested in the land value in proportion to his interest.

Mosquitos Destroyed and Land Values Soar

To illustrate how land values are created and maintained wholly by the community, Justice Lucas told how as a result of a successful anti-malaria campaign in South Africa, land in the areas affected had risen in value by £50 million. "The landowners there had been enriched by that amount without contributing to the cost of the campaign, that cost having been borne by the general taxpayers. Could anything be more unfair? And can any valid argument be advanced against the justice of taking that community-created value for the use of the community? . . . If the South African people ceased even for a short period to provide the successful anti-malaria services, that added value of £50 million would soon disappear into thin air."

He was not there to tell them what they ought to do in Scotland or how they should set about it. He had tried to give, by this testimony of the operation of Land Value Rating in the Transvaal that he knew so well, the proof that it was in any and every country both desirable and practicable.

Practical Considerations

Mr. A. W. Madsen said that his Paper, which had been circulated, contained a brief and concise statement of the principles involved and how they were to be given effect. Going over the ground, he described the existing system and contrasted it with the system that would obtain if local taxation was levied on the value of land apart from buildings and improvements. This necessitated a land valuation which would ascertain the annual land value of each separate land unit and would be kept up to date by periodic revision. With the rates levied on that basis, the buildings and improvements attached to every holding and, even more important, all new constructions and all additions to existing buildings would automatically be exempted from local taxation. On the other hand all land (exclusive of the improvements thereon) would come under contribution in proportion to its actual value and would do so irrespective of the use to which it was being put and whether it was used or not. The liability for the payment of the land-value rates would rest on those who enjoyed the land value or who shared in its enjoyment. In the case of divided interests, where for example the landed property is feued or leased, if the person from whom the rate-payment is demanded was himself a lessee, he would be enabled to deduct from the rent he pays the relevant amount of the land-value rate for which his landlord was liable. Thus superiors and feuars in Scotland and ground landlords and lessees would each, in so far as they shared the land value, pay in proportion to their respective shares. To the extent that the rates were levied on land values, to that extent would the rates as they were now levied be reduced or eliminated—the essential accompaniment of land-value rating. Thereby would be brought about the abolition of taxation as disruptive as it was unjust, which came into action only as and when land and buildings were brought into use, imposed a burden irrational and frequently intolerable, and obstructed where it did not frustrate desirable development. It was in appreciating the factors that gave rise to the value of land and observing not only how it had arisen but also how it was

being maintained from day to day by the continuing life and economic activity of the community, that they were led to see that it was a rightful and proper source of public revenue. Therein, above all, was the justification of the Rating of Land Values.

General Discussion

There was an interval for afternoon tea when the delegates were able to meet and converse with their audience, the members of the International Conference. In the subsequent discussion in which a number of questions as well as contentions were put from the floor and answered by the platform, Mr. A. S. Bennie, Stirling County Councillor, was anxious to know how Land Value Rating would apply to the case of agricultural land. He spoke as a farmer whose farm, he said, was out of reach of those public services which according to the speakers helped to give land its value. Yet he admitted, on being pressed, that his farm, that is with its buildings and other improvements, was valued by the assessor at an annual value of £240. The question then was, how much of that value was really rent of the land alone. If the farm was "on the margin" or was perhaps sub-marginal (very doubtful in Stirlingshire) then the land value would be little or nothing and little or no rates would be payable. But the matter would be resolved when a proper land valuation was made. So also in answer to Sir James Gammell, member of the Angus County Council, who asserted that the value of buildings and improvements on farm land was greater than the land and buildings taken together when the farm came up for sale, so that when buildings were eliminated in making the proposed valuation, the land value would be a "minus quantity." Councillor Beck, of Saltcoats, quoted prices of farm land disposing of that argument, other instances being added by Mr. R. J. Rennie (the hon. secretary of this Conference) from his own experience as an executive in a large industrial concern. There was thus a good deal of talk about the agricultural aspects of the question and here Denmark came into the picture to explain how in that country it was the small peasant proprietors who were mainly instrumental in carrying the Rating of Land Values into operation; and there too how the alleged difficulties of separately assessing the value of land were non-existent. Mr. K. J. Kristensen, Chief of the Danish Land Valuation Department, gave his testimony to that. Among others who took part in the discussion were Treasurer J. Strudwick of North Berwick, Treasurer G. Wood of Berwickshire, and (representing Haddington) the Burgh Chamberlain Mr. M. D. Carlaw and Bailie H. Craig.

No resolution was submitted nor was this the occasion for such, since the delegates could not be expected to commit their principals in any way. They were given the arguments and it would be for them to "report home" on what they had heard or learned.

The Operation of Land-Value Rating in Various Countries. Memorandum of Evidence submitted by the United Committee for the Taxation of Land Values to the Departmental Committee on Site-Value Rating (the "Simes Committee"). Summary and review of land-value legislation, valuation methods, revenue yields, etc., in Denmark, New Zealand, Australia, South Africa, Rhodesia and Kenya. 16-page pamphlet. 6d.

Municipal Justice: The Case for Land (Site) Value Rating. By E. J. Craigie, ex-M.P. The principles explained and common objection answered. Appendices giving comprehensive facts and figures concerning the operation of land-value rating in five Australian States. 36-page pamphlet. 6d.