

THE UTHWATT COMMITTEE'S REPORT

Observations of the Land Values Group of the Parliamentary Labour Party

THE REPORT of the Expert Committee on Compensation and Betterment (Chairman, Mr Justice Uthwatt) makes a useful survey of certain aspects of the practice of town and country planning and contains valuable recommendations for improving the technical means for dealing with this subject. On the other hand it fails, perhaps, because of limitation of the terms of reference, to deal adequately with the fundamental economic aspects of the problem.

The Crux of the Problem

The Committee point out that "the price of land in the big towns and cities runs into very high figures. The effect is usually to make it impossible for the local authority concerned to carry out desirable improvements or impose any effective control of user with the limited resources at their disposal." This is the crux of the problem. The Committee's proposal that purchase of land for public purposes should be at March, 1939, values does not meet it. The price of land at that date was already so high as to stifle any substantial progress. Neither is there any solution in the proposal to extend the powers of compulsory purchase of land for planning purposes. If the purchase price of a small area was prohibitive that of a larger area will not be less so.

Failure of Betterment Legislation

The Committee accept the view (which was put forward in the evidence submitted by this Group) that all attempts to collect betterment or increase of land values caused by public enterprise have completely failed. They show that this applies not merely to the provisions in the Town Planning Acts, but also to special improvement rates, set-off against purchase price, and the purchase of areas adjoining the improvement with a view to recoupment. In the light of these observations it would seem clear that the Committee themselves cannot expect any financial advantage from the extended powers of purchase which they propose.

Proposed Levy on Increased Site Values

It may be said, however, that some easing of the financial difficulties of the planning authority will accrue from the proposed levy of 75 per cent of the increase in annual site values. But it is evident that this plan will not even begin to yield any revenue until the second of two quinquennial valuations of site value have been made. Moreover, it is clear that revenue from any kind of increment tax is of necessity small in the early stages of its operation. The proposal is a meagre recognition of the principle that land values should contribute to the cost of the public services which are indispensable to the existence of land value, but it is of little practical advantage and will certainly not solve the planning problem. The fiscal value of an increment tax depends upon the assumption that there will be substantial future increases of land value. This may be so, but if population should decline the trend might be reversed. In that event the increment tax would be a failure, and the purchase of land in ad-

vance of requirements would result in serious loss. Planning is of necessity a long range operation, and long term trends are of the first importance.

Proposed Purchase of Development Rights

The proposal to purchase "development rights" of land outside town areas is defended upon the ground that the cost of compensation for beauty spots preserved or of green belts around towns is so high as to prevent action in many cases. It is a paradoxical solution to buy up the development rights in *all* undeveloped land merely because it may be necessary to purchase or restrict a relatively small part. The values which it is proposed to acquire are admittedly speculative. The Committee hope that by the device of fixing a global sum for the purchase price and afterwards apportioning it among the claimants a lesser sum would be paid than if every plot of land were individually valued. Unfortunately there is no principle on which the global sum can be fixed, and no one can say how much of the present value of land is speculative, and how much is not. In addition no one can say how much land to which this plan applies would actually need to be restricted or acquired for public purposes. It is, therefore, doubly impossible to say what the financial outcome of the proposal would be. What can be said is that it is undesirable to purchase speculative values when there is a simple means of squeezing out speculative values and bringing the price of land down to a proper level.

Speculative Values

The Committee fail to observe that there are speculative values in the town areas as well as outside them. The holding of land out of use in the expectation of future increases in value is the major cause of bad planning. It causes the town to spread out in a straggling fashion with unnecessary increase in the length of streets and roads and increase in the cost of all public services as well as higher travelling expenses. The Committee quote with approval the observations of Mr H. J. Manzoni, City Engineer of Birmingham, on the large savings of land which could be effected by an intelligent replanning of certain areas of that city. The same principle applies elsewhere. But saving of land is equivalent to an increase in the supply, and should result in a reduction of the price of land. If that happens, what is the position of the planning authority which embarks upon large scale purchases of land in accordance with the plans of this Committee? Who is going to pay for the deficit? The elimination of speculative values is the indispensable pre-requisite of effective and economical planning.

The Object of Planning

Although planning may in many cases take the form of imposing restrictions to prevent undesirable development, the real object of planning is to provide an economic framework within which development and economic activity generally shall

proceed in the most generally beneficial manner. Unless it achieves this, it fails. One hindrance to development is the high price demanded for land. This has condemned large areas to temporary sterility with the consequences already indicated. If the main activity of the planning authority is to be large scale purchase of land at speculative values, and an attempt to recover the cost in sale price or rents of land disposed of, the evil will continue. On the other hand, if the planning authority disposes of land at a price which will encourage development, there will be a deficit. The deficit will be borne by the unfortunate rate-payer or tax-payer, and if it is met by taxes which discourage development, such as the present rates, the position will not be eased.

If planning is not to result in sterility, then steps must be taken to reduce excess prices of land due to holding of land out of use. At the same time the penalty imposed upon the use of land by our present system of local rating must be abolished. This can be achieved by land value rating and taxation. It will not be achieved by any of the proposals of the Committee.

Land Valuation

Although the Committee propose extended powers of acquisition of land by planning authorities, they do not make any recommendations which will much improve the principles upon which compensation is determined. In particular they retain the system under which the price payable is in default of agreement fixed by an arbitrator. The fundamental defects of this procedure are, nevertheless, skilfully exposed in the section dealing with valuation for the purpose of distributing the compensation payable under the scheme for acquisition of development rights. It is there pointed out that uniformity of valuation can only be secured when the valuation is made by an expert, such as the District Valuer of the Inland Revenue, who is familiar with the whole of the facts of a district and acquainted with the prices or rents which are actually being paid throughout the district. Only in that way can uniformity of valuation be secured. In addition the valuation should be a basis for taxation as well as a standard for assessment of purchase price or compensation.

The Committee propose that there shall be a valuation for the purpose of the "development rights" transaction, and this will inevitably cover very considerable areas of land. They propose that there should be a different valuation made by a different body for the purposes of the levy on increases of site values. Five members of the Committee on Land Utilization in Rural Areas (including the Chairman, Lord Justice Scott) recommend that there should be a valuation of all the land they had under consideration, showing the site value apart from buildings and improvements. The Town Planning Institute has also recommended that there should be a general valuation.

Surely the time has arrived when it must be recognized that a valuation of all land

value is the indispensable instrument of planning. Every effort should be made to expedite such a valuation and to place it in the very forefront of the programme. No intelligent scheme of planning can be carried out unless the basic economic fact about the subject matter of planning is known.

Rating and Taxation

A reform of our system of local rating is long overdue. It is self-evident that a system which levies imposts of from 10s. to 20s. in the £ on the annual value of houses and other buildings and improvements must restrict the supply and increase the cost. Conversely, as has already been indicated, a system which exempts vacant

land from contribution and eases the burden upon poorly developed land at the expense of that which is well developed frustrates the ultimate object of planning. The case for the rating of site values upon these grounds alone is overwhelming.

It is therefore strongly urged not only that there should be a general valuation of land values, but that it should be made obligatory for at least a portion of the local rates to be levied upon this basis. Alternatively a national tax should be levied on all land values. Whichever course is adopted, the tax or rate should apply to all land according to its site value, so that a uniform benefit is derived from it and an equal pressure exerted to reduce land values to a non-speculative level and

prevent land from being uneconomically withheld from use.

Unless this step is taken the state or the planning authorities may easily be committed to large and wasteful expenditures for which no adequate return will be secured, and which will have the ultimate result of retarding the provision of houses and the extension of useful productive enterprises upon which the economic life of the country depends.

For the Land Values Group of the Parliamentary Labour Party,

D. R. GRENFELL, *Chairman.*

R. R. STOKES, *Hon. Secretary.*

October, 1942.

DR TEMPLE'S ALBERT HALL ADDRESS

LAST MONTH we repeated from certain newspapers their report of that passage in the Archbishop of Canterbury's address at the Albert Hall, London, on 26th September in which he discussed the land question. In this statement Dr Temple was reported to say :

"Our present treatment of land and of the buildings placed upon it strikes me as peculiarly topsy turvy. If a landlord neglects his property and it falls into a bad condition, the rates upon that property are reduced, while if he improves the property and so does a service to society, the rates are increased. But if the rates were levied upon the land itself and not upon the buildings placed upon it, there would always be the inducement to make the property as good as possible in order that the best return might be received from it."

These words do not appear in the report of the speech as published, after the meeting, in the pamphlet *The Church Looks Forward*.^{*} We learned that a pamphlet with the same title, purporting to give the substance of the speeches, had been issued beforehand and was distributed at the meeting. This earlier edition, as we discovered on procuring a copy, contains the statement. The point however was, what Dr Temple actually said? Fearing to have misrepresented him in any way, we sought an explanation and we are obliged to Dr Temple for his letter in which he wrote :

"The reports printed in most papers were taken from a digest of my speech prepared in advance and supplied to the press. This was printed also in the first edition of the pamphlet *The Church Looks Forward*. But I did not read this digest. I followed its outline fairly closely but spoke without direct reference to it. The promoters of the meeting thought that my speech as delivered was more effective and accordingly in reprinting the pamphlet inserted my address as it was actually spoken and recorded by the B.B.C. I found that in speaking in the Albert Hall I had to go rather slower than I had anticipated and it was necessary to omit some sections. I did in fact omit the two paragraphs beginning 'our present treatment of land . . . ' and 'but if rates were levied . . . ' which are the last in

what you quote. But this had been in the digest circulated to the press and I cannot complain of their quoting it from there. Also I should have said it if I had not felt that I was over-running my time in a way that would be unfair to the later speakers . . . It does not misrepresent me in any way."

Apologies are necessary especially to those newspapers which had reporters present for our implied criticism in remarking the fact that they did not print the references to the rating of land values, and we apologize also to the B.B.C. for alleging a similar omission when they broadcast their extracts of the recorded speech.

From the second edition of *The Church Looks Forward* which contains the verbatim report of Dr Temple's address, we print the following passage relating to land and property :

"There are four requisites for life which are given by the bounty of God—air, light, land and water. These exist before man's labour is expended upon them, and upon air and light man can do nothing except spoil them. I suppose if it were possible to make established property rights in air, somebody would have done it before now, and then he would demand of us that we should pay him if we wanted to breathe what he called *his* air. Well, it couldn't be done, so it hasn't been done. But it could be done with land, and it has been done with land; and, as it seems to me, we have been far too tender towards the claims that have been made by the owners of land and of water as compared with the interests of the public, who need that land and water for the ordinary purposes of human life. I am not myself at all persuaded that the solution of this problem is to be found in the nationalization of land; but I am persuaded that we need to find ways of asserting the rights of the public over the interests of the private owners; and we come back here to the great Christian principle, that the right which attaches to ownership is a right of administration, but should never be a right to exclusive use. That is a principle deep and constant in the old Christian tradition about property, but we have so largely forgotten that property is in its own nature and of necessity a social institution and a social fact, that we have ignored the rights of society over against the rights of those to whom it entrusts ownership, and we must restore that balance."

ALEXANDER HAMILTON

THE DEATH is reported of Alexander Hamilton, pioneer and leader of the Henry George movement in British Columbia, who was born in Carlisle, Scotland, and migrated when little more than a boy. The esteem in which he was held is shown in the long and laudatory obituary notice in the *Victoria Daily Times* of 4th September. His colleague Harry H. Hollins writes "he was of uncompromising loyalty to the cause. Many years ago he was one of the small group who led the campaign for the exemption of improvements from taxation in the City of New Westminster [it is outstanding among the B.C. municipalities which moved in the same direction—EDITOR, L. & L.], and New Westminster has never receded from that policy in spite of many organized attempts to overthrow it, and it bears the stamp of wisdom on its face. Not a neglected looking house or building is to be seen. The people do not fear the assessor when they wish to improve their places.

"Alexander Hamilton fought hard for the conservation of natural resources and specially the virgin timber, which has been frightfully decimated as the result of the operations of speculators and the ruthless system of logging (both fostered by the most unwise stumpage tax). This was an injustice that Mr Hamilton constantly opposed; many who never met him knew of him by his letters to the Press."

In April last as President of the Henry George Club of Victoria (of which Mr Hollins is Secretary) he headed a strong protest to the Minister of Lands and Forests against the shameful manner in which timber lands have been alienated—at \$1 an acre for virgin timber now worth in many cases \$1,000 an acre. Pretty soon two-thirds of the wonderful B.C. forest was in private hands. The Government then shut down on it and the Province still retains about a third of the timber. But with regard to oil and other natural resources the Government has again taken the wrong road, selling these resources to private individuals and corporations and promoting their speculative gains.

Alexander Hamilton's own story of the work in British Columbia is which he gave chief credit to John Cunningham Brown, was told in one of the papers presented at the "Centenary" International Conference held in New York, September, 1939. Of Hamilton the *Daily Times* said: "Just another of nature's noblemen who tried to leave the world better than he found it, handing the torch to those who follow."

* The Industrial Christian Fellowship, 1, The Broadway, S.W.1. Price 6d.