

SORN COMMITTEE ON SCOTTISH VALUATION AND RATING

*Submission by Bailie John Peter, J.P., M.A., F.E.I.S., Member of the Falkirk Town Council**

[This Committee, presided over by Lord Sorn, has for its terms of reference: "To review the present system of valuation and rating (other than the derating of agricultural, industrial and freight transport lands and heritages) in Scotland; to consider whether any and, if so, what changes should be made in the system, and what other action would in consequence of any such changes be required; and to report."]

The outstanding fact concerning our existing rating system (on improved value) is that it is a penal system.

If the owner-occupier of a residence or a place of business extends or improves his premises, his assessed value is raised and he is called upon to pay more in rates (and probably in income tax). This is obviously not the way to encourage improvements in property; it is in fact a direct discouragement in making these.

The case of the owner of residential property let to occupiers is very similar. If he does nothing more than just maintains his property in a fit state—wind and water-tight—how is he placed when there is a rise in rates—something that is likely to continue so long as the public expect more and more service to be provided by the local authority? He is called upon to pay higher owners' rates (and taxes)—and also higher repair bills, most probably. He no doubt fixed his house-rents at a figure to yield him a modest percentage on his capital invested. This income is reduced, and property-to-let loses its appeal as an investment for savings—as it has undoubtedly already done. If he raises his rent (in free circumstances), his tenant considers himself to have a grievance. There is no increased service on the part of the owner. Why then should he ask a higher rent? And that increased rent further means increased occupiers' rates. And so the proprietor finds himself regarded as an enemy of the common people.

Thus it comes that there is less and less prospect of any knowing person even thinking to build houses to let.

Under Rent Restriction, the position of the owner of let property is made hopelessly worse. His gross income from his investment remains stationary, but the charges upon it—rates, income-tax and repairs—progressively increase, until his property becomes a liability. Repairs cease, with fatal consequences to the property itself. And then come angry complaints from the occupier—and maybe further grumbles that he has even to help to house others in well-maintained authority's property, while he himself remains in a "slum."

All this is no doubt quite elementary to the members of the Commission. But it is restated to emphasize that the real evil is that *improved value* is retained as the basis of assessment; and the evil will abide, so long as improved value is assessed.

If the work of men's hands—house, etc., property, in this case—is rated (or taxed), it becomes dearer and therefore less available to consumers. Houses are essential to human wellbeing; yet our whole system of rating tends to make them dearer and scarcer.

I beg humbly to submit that a change from improved value to unimproved (or site) value as the basis of assessment is the first essential to any real reform of the rating

* This Submission is made as an individual, and does not necessarily represent the views of Falkirk Town Council.

system. By getting rid of its penal aspect a complete change would be effected.

To begin with, a rate on site-value would not diminish the supply of sites as a rate on improved value diminishes the supply of improvements (houses). The supply of sites is fixed and their value can be influenced only from the demand-side; never from the supply-side. The supply of sites cannot be reduced.

Indeed the supply of *available* sites would increase if the rate were levied on all sites whatsoever, since none would be held out of use; and from the supply-side, the value would tend to fall and speculative value be destroyed.

Under such a system, how would the builder-improver of property fare? Since the rates would be paid on the unimproved value of the property (site), no matter how much the property were improved, the assessment basis would not be affected. Thus the owner-occupier, the investor in property-to-let and the occupier alike, would each cease to have his particular reason for feeling aggrieved—that all improvements are penalized.

The person to pay the rates would be, of course, the person who enjoyed the amenities and advantages of the site. In theory he (the occupier) pays these now—the occupiers' directly, and the owners' indirectly (any superior, however, who shares in the value of the site would have to pay his share). Site-value rating is *not* a means to compel someone else to pay one's rates. All are occupiers of sites and all would pay—those on the best sites, most; those on the less convenient sites, less; and be it noted, poor men do not usually monopolize the best sites; and well-to-do do not usually occupy the least attractive and least valuable. Rates would still be a necessary evil—the difference from things as they are being merely that the necessary evil would be "inflicted" on a new basis.

Under your terms of reference, the matter of de-rating is expressly excluded from consideration. But the idea and principle of de-rating was evoked by a recognition of the folly and evil consequence of rating improvements. Indeed, the very fact of de-rating is a condemnation of our existing system. If de-rating of industrial, agricultural and other subjects is of advantage to those concerned, surely the de-rating of houses and business premises would be similarly advantageous. Everyone, in fact, should have its benefits. That would, of course, necessitate an alternative rating system, and the only feasible one is that of unimproved value.

The difficulties that have recently arisen over the just allocation of the Equalization Grant are a further proof that our existing method of assessment is unsound. It is known that certain authorities deliberately refused to fix reasonable house-rents on the ground that they would thus automatically raise their valuations; and consequently reduce proportionately their claims upon the grant. Had the assessment been of unimproved value, there would have been no occasion for such obvious scheming on the part of some authorities to the detriment of others.

There is indeed no end to the difficulties and complications which must arise so long as we persist in regarding improved value as the basis of our means of raising local revenue.

Whenever site-value rating is proposed, it is usual to hear of the tremendous difficulties of valuation. Some

people are no doubt very willing to be impressed; many are not. Our assessors and valuers can do wonderful things when the necessity is there. But if they are really baffled, they can always learn from those who are regularly doing such work in certain Commonwealth countries, U.S.A. and Denmark.

Site-value is the true measure of the value of the services and amenities provided by the community for each property. Whether it measures the *personal* services each person may receive from the community is another question. But it is not one we are called upon to answer here.

PARLIAMENT SANCTIONS DEAR FOOD POLICY

Additional Import Duties Orders Debated, December 10

Moving that the Additional Import Duties (No. 3) Order, 1953, be approved, MR. PETER THORNEYCROFT, President of the Board of Trade, explained that the Orders had been made possible by the "waiver" which he had obtained at Geneva at the Eighth Session of the General Agreement on Trade and Tariffs. No novel or special form of protection for the horticultural industry was being introduced. In fact the Government was getting rid of every physical restriction, except for a few concerning agricultural plant-health. Physical quotas had been clumsy and unsatisfactory to both the producer and the consumer. It was not possible to estimate the effect the changes would have on the cost of living or on prices, but Mr. Thorneycroft thought that they would be "pretty marginal." It had to be remembered that quota controls had themselves a price-raising effect.

These were the first tariff Orders which had been introduced since the war. The case for horticultural protection was that it was a hazardous industry, influenced not simply by the "ordinary difficulties of supply and demand" but by other difficulties, such as the weather, to a degree far greater than affected most other industries. The other "broad principle" involved was that the present duties were out of date. World prices had risen several times since before the war so that what had been a reasonable tariff then had since been very much reduced in its incidence.

The National Farmers' Union had applied in 1950 for increased duties. In 20 cases increases were approved. Almost an equal number were not accepted. In those cases there had been reversion to the 10 per cent *ad valorem* duty which is the basic duty of the British tariff system.

In determining its policy the Government had applied five principles: (1) a fair return had to be secured for the producer without causing hardship to the consumer; (2) existing duties were taken as the starting point from which to decide whether to increase, maintain or abandon the degree of protection afforded; (3) the consumer must not be injured by the introduction of a tariff at a time when, on an average, home produce was not available; (4) protection should be given to protect those crops which the United Kingdom grower could produce in really large quantities; (5) in the main reliance had been placed on specific duties so that when prices are low the incidence of the duty is high and when prices are high, the incidence of the duty is low. "The advantages of that principle are obvious. It tends rather more to keep the imported goods out in a period of glut, when they would be most dangerous."

Conservative Free Trader Champions Consumers

SIR WALDRON SMITHERS (Cons., Orpington) scathingly denounced the Board of Trade proposals, stating as his view that the removal of all tariffs and controls would be of benefit to the whole world and especially to Britain. Bulk purchase by the British Government was already responsible for the high level of world food prices and these proposals would necessarily raise the cost of living at home, hitting particularly the poorer sections of the community, such as the old age pensioners. Recently the Government had refused to consider increasing pensions of certain Service officers on the grounds of economy but now, in an attempt to placate a small but articulate group of producers at the expense of the great mass of the consuming public, the Government was proposing to take a step that would force many of the poorer people to apply for National Assistance and thus increase Government expenditure. Pensioners and wage earners must be allowed to make the best use of their present incomes by buying their food in the cheapest markets.

The increased duties would remove a spur to greater efficiency and would bolster up the inefficient growers. Efficient growers did not require protection. Twelve farmers the previous evening had told Sir Waldron "We cannot be more efficient than we are because of Government interference and all the penal taxation which prevents us from doing our best."

No one in his senses would put up greenhouses on the Kentish hills to produce oranges and bananas which grow in profusion out of doors abroad. The principle was exactly the same in the case of any other fruit or vegetable. The right things to grow were those which we in this country could produce in competition with overseas growers, but were we, in fact, growing the right things?

The White Paper stated that the period for which seasonal duties are charged on certain items should be adjusted. By whom? Who decided? No one could foretell the weather or floods or storms. Did the Government or the N.F.U. really think that they were omniscient or omnipotent? How could Britain expect the U.S.A. to amend tariff restriction in favour of our exports when we ourselves imposed obstacles on the horticultural exports of other countries? Would produce from the Channel Islands be classed as foreign and liable to duty? If the pressure of the N.F.U. was not resisted the result would be the expulsion of the Channel Islands from the British Commonwealth.

Liberal Free Trader's Four Objections

MR. DONALD WADE (Liberal, Huddersfield West) believed that the Government was committing the country to a long-term policy of dear food. The decision was unfortunate for four reasons. In the first place it was bound either to raise or to maintain the cost-of-living-index with the all too well-known consequences on wage claims and claims for higher pensions. Secondly the new tariffs would so greatly increase the price of early supplies of soft fruits, the majority of which are imported before the British crop season begins, that many housewives would be unable to buy at all during that period. Thirdly, because tariffs could not be speedily removed, the sudden failure of an entire home crop would inevitably result in very high prices. Fourthly, and most important of all, the inevitable although perhaps unintentional result of the new duties would be a diminution of international trade. Mr. Wade said that some years ago he had stayed with some people in Brittany who had depended for their livelihood on growing tomatoes and potatoes for the London market. In turn they bought British goods, particularly cutlery from Sheffield and clothing for their children. It was obvious that if their livelihood was taken away they would no longer be able to buy British goods. That instance multiplied a thousandfold gave an indication of the harmful international effect of these restrictions.

Labour Protectionist Exposes Inefficient Production

MR. GEORGE BROWN (Lab., Belper), the Parliamentary Secretary to the Ministry of Agriculture in the previous Administration, in supporting the Orders, said that no one should minimise the degree of traditional feeling which existed about increasing tariffs, particularly on items of food. It was not a thing to be laughed away. As a co-operator, a member of a very large trade union and the representative of a constituency which consisted predominantly of consumers, he was well aware of the extent to which people felt strongly on the matter. But whether one's interests were with the traders or predominantly with the consumers, it should be recognized that any argument that the Orders would make a substantial addition to the cost of the people's food was wrong.