

Prejudice or Incompetence?

THE UNITED COMMITTEE EXAMINES THE R.I.C.S. REPORT

THE Royal Institution of Chartered Surveyors appointed a Working Party in March 1964 (hot on the heels of the Whitstable Survey) "to review as a matter of urgency rating law and practice, including the rating of site values and to report."

The following were members of the Working Party — Mr. J. H. Emlyn Jones, MBE, FRICS, FAI, (Chairman) Messrs. G. W. A. Gurney, FRICS, C. R. Mallett, FRICS, FAI, D. J. Morton, FRICS, FAI, C. A. Price, BA, ARICS, and J. R. Trustram Eve, ARICS.

An interim report, dealing specifically with the rating of site values, was accepted by the Council as the stated policy of the Institution and was released to the Press on the 16th November. After fifteen pages of tortuous and contrived argument, the R.I.C.S. summarised its findings as follows:

In our view the introduction of Site-Value Rating:—

- (i) would lead to much greater hardship over a wide field;
- (ii) would present problems of valuation at least as great and in many cases considerably greater than at present;
- (iii) would probably involve an increase in the overall number of appeals if one had regard to the appeals which would flow against the decisions of the planning authority;
- (iv) would present the local authority with considerable difficulty of collection and recovery, for example in cases of multiple-ownership or unoccupied land with absentee owners;
- (v) would entirely exempt from contribution to local rates certain sections of the community, i.e. the occupiers of some rented properties;
- (vi) would lack stability because of the frequent changes in the valuation list which would be caused by alteration or amendment of the development plan or the grant or qualification of planning permission.

The United Committee immediately made a reply which was also circulated to the Press. It was as follows:

THE REPORT of the Working Party of the R.I.C.S.

on the rating of site values is disappointing, unconvincing, ostensibly impartial and demonstrably biased.

It is difficult to resist the conclusion that the Working Party of the R.I.C.S. sat down to its deliberations resolved to find as many faults as possible in the system and to manufacture them if there were not enough in evidence.

The prime advocates of site-value rating — The United Committee for the Taxation of Land Values — does

not pretend and never has pretended that the introduction of site-value rating would be without its problems — problems in the fields of valuation, definition, assessment and in the legal field; we are not starting with a brand new society and past legislation and existing conditions have to be regarded. But this would be true of any legislation in the field of rating and taxation. Yet in examining the rating of site values the Working Party has put up an Aunt Sally of perfection in order to demolish it — and with it the legitimate claims of site-value rating.

The R.I.C.S. has wandered well outside its own professional sphere and has indulged in judgments of a highly political and controversial nature — not to mention its imprudent incursions into the field of economics.

The Working Party makes much of the valuation of churches, church halls, etc., "at their full value." But whatever the political attitude towards exemptions, they would not alter the *shift of incidence* which is the cardinal principle of site-value rating. This, quite apart from the fact that an analysis of the Whitstable figures shows that if exemptions were granted for public open spaces, public shelters, golf courses, churches, church clubs and agricultural land there would still be a *substantial shift of incidence from the residential properties and well developed properties on to idle and under-developed land and from occupiers to site-owners*. In short the Working Party has glossed over the fundamental principles of site-value rating. It asserts that the figures of Whitstable are no criterion for what they would be elsewhere, yet persists in using the Whitstable figures to prove its own arguments.

It declares: "In rating areas where there is little or no undeveloped land, a shift of the rate burden would normally be less pronounced and of itself hardly sufficient to warrant a change in the system of valuation." Ignored again is the shift of incidence from occupiers to owners of sites. And we would challenge the suggestion that there are rating authorities with no undeveloped land. There must be many sites in our main cities equal in value to the whole of the undeveloped land in Whitstable.

It is suggested that where local authorities own land the payment of rates upon this land would be an additional burden on the ratepayer. But in practice it would be nothing but a book entry. A local authority which paid itself £1,000 in local rates would be no worse or better off than the local authority which paid itself £20,000 for the council or general body of ratepayers would be both receiver and payer. This is hardly an argument against site-value rating.

By devious and dubious reasoning the Working Party claims that, with increased demand for revenue, "It

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would not be long before the rate in the pound under site-value rating would be more than twenty shillings." This conclusion is completely unfounded.

In a previous paragraph, when it suited it, it argued that there was an increase in land values in the period between the preparation of the last orthodox list and the land-value list, a recognition that land values have increased over this very short period. Here then is the source of additional revenue to meet any increased demands. To ignore this is to assume a static society.

Contradictions and Absurd Notions

If rates should increase in *money values*, as a result of inflation, then it must be quite obvious that land assessments in *money values* will likewise increase — or the land, in terms of paper money will be undervalued.

The Working Party tries to have it both ways. In order to reach its figure of 14s. 3d. in the pound, still a long way short of 20s. the authors exempt agricultural land, churches, etc., in direct contradiction to their Criteria (i) "*that the cost of local services should be equitably shared between all classes of ratepayers and fair as between all ratepayers within those classes,*" and (v) "*that the system should have some regard to the fact that all members of the community, directly or indirectly, benefit from the services provided the local authority.*"

Regarding the local authority housing, we agree that tenants of council houses should ultimately bear the cost of the rate but not as site owners. It would simply mean that the local authority would not pass on the site-value rate but would raise the tenants' rent by the amount they now pay in rates, leaving them in exactly the same position as before. This would be fair in the case of local authority housing where the rates charged were less than the market rate since the tenants could not expect to benefit both ways, i.e. from rate relief and from rent subsidy. It would be wrong, however, to argue that this is shifting the site-value rate on to the tenant, for where a council tenant is *paying the full market rate for his house*, this could *not* be done as such housing would be in competition with private enterprise housing where the rate would be borne by the land owner.

Regarding tenants of private landlords, the authors state that it would not be practicable to exempt them from the payment of rates. But this is not a question of practicability — the whole point of site-value rating is that the rate is borne by the owners of land and not by the tenants. It is nonsense to talk of there being any significance in the fact that many tenants pay rents inclusive of rates; it has nothing whatever to do with the matter.

The Working Party contradicts such eminent economists as Paul A. Samuelson, Colin Clark, etc., by repeating the fallacy that a tax on land values can be shifted on to the tenant. It is evident they have not troubled to think the matter out for themselves or consulted those who have.

As an indication of the Working Party's lack of originality it repeats the absurd notion that a person with an idle site would have no income from the site where-

with he could pay his rate. That one should be told to all owner-occupiers who for years paid Schedule "A" tax on their own houses. The point deftly ignored is that the obvious way for the site holder to offset his rate payment would be to put the land to some use.

Word juggling at its worst is contained in the statement "it would be truer (*sic*) to say that all improvements (under S.V.R.) would in fact be rated," this because a man who had garage space would be rated as though the garage were there! The R.I.C.S. should be above such sophistry.

In spite of the report of the valuer in charge of the Whitstable survey, that ninety-nine per cent of the valuations were straightforward and that difficulties arose only on the final one per cent, the authors of the report talk of "detailed investigations" being necessary, of valuations being "extremely involved" and giving rise to "considerable difficulties."

The report abounds with contradictions, i.e. site-value rating is "considerably simple," followed immediately by the statement that it would be no less difficult than the present system. This absurdity is apparently reconciled by contrasting a valuation list with a rate book so as to include the "one per cent" difficult cases.

It is alleged that the preparation of a site-value map in central urban areas would "provide considerable difficulty." This is followed immediately with the flat admission that Denmark overcame this difficulty; (and of course, more to the point, so did Mr. Wilks at Whitstable).

Making Much of Little

Every little point that would have to be resolved as part of a valuer's training is made out to be an objection against site-value rating, glossing over the simple fact that under any system of rating and valuation the practical difficulties met by the valuer or surveyor can be taken in his stride if he is a competently trained and qualified person.

It is implicit, and it has been said *ad nauseam*, that under site-value rating a land holder would be rated on the market value of his land, i.e. on a value which takes planning restrictions into consideration, and that no person would be rated on a value he could not immediately realise. Where doubt is present on this matter the planning authorities would be stimulated to make a decision, and in case of real difficulty the payment of rates could be deferred until the planners had resolved their difficulties. Since the rating authorities are in a sense also the planning authorities there would be every incentive not to be dilatory about such matters.

The refusal to stick to the accepted principles of site-value rating is evident when the Working Party speaks of charging owners for the advantages "that they might gain in increased land value from local authority capital expenditure," as though this would not be taken care of in re-valuations and as though local authority capital expenditure were the only way in which the value of land increased. To talk of "different types of local

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authority expenditure providing a field of disagreement" presumes that land would be valued according to local authority expenditure! Such a suggestion is complete nonsense.

Logic vs. Fantasy

The report is full of false trails such as the argument that site-value rating would not release land at the "proper time" (whenever that is) or in the "right order" (whatever that is) and the argument that site-value rating would both decrease and cause land speculation and that speculators would save up their rate liabilities and impose them on a future buyer. Truly the bottom of the barrel has been scraped for red herrings in the attempt to discredit site-value rating.

In its summing up the Working Party declares: "in our view the introduction of site-value rating would lead to a much greater hardship over a wide field" — this without a shred of evidence to support it.

We disagree with all their conclusions (save one) and although we admit our own bias in this matter, we can do so in the field of logic, not fantasy. The one conclusion we accept is the one which contradicts the Working Party's own previous statement; it is as follows: "Site-value rating would entirely exempt from contribution to local rates certain sections of the community, i.e. the occupiers of rented properties." Since it is inherent in the system of site-value rating that the rate falls upon the site owner, this conclusion is not very startling, but it contradicts the Working Party's claim that the site-value rate can be passed on to the tenant. It cannot have it both ways.

The R.I.C.S. by its report stands guilty of either of two charges and it may take its pick. Either it was firmly prejudiced from the start and determined to damn site-value rating, whatever the damage done to reason and fact, or it is grossly incompetent to study such a serious matter.

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so would the values of the properties they wished to buy. Estate agents' fees (which are payable by the vendor) are a percentage of the selling price and so, like solicitors' fees, would be reduced as a result of rating site values.

These effects would be felt by most householders. There would, however, be a few exceptional cases where the site-value rate was higher than the present rate. These are the cases where the householder owns any of the following: (a) a house that is tiny, old, or decrepit and standing on land capable of better development and therefore rated low at present; (b) a house on a plot of land on which other dwellings could be built; (c) a house on a valuable site in the town centre that could be more effectively used for, say, a shop. One of the advant-

ages of site-value rating is that it would make for the more efficient use of land, and those few householders who do not make full use of their land should not be subsidised, as they are now, by the many who do.

The housing problem has two main aspects: that houses are much too dear, and that not nearly enough of them are being built. Measures like the granting of one hundred per cent mortgages make home buying easier and so stimulate demand, but do not affect supply, with the result that house prices must rise. Under site-value rating owners of sites now vacant or under-used would be induced to offer them for immediate development, and a much larger quantity of land would be available for building. Consequently, the increased demand for houses caused by the lowering of land prices and rates would be accompanied by an increase in the supply of land on which those houses could be built. There would then be an irresistible incentive for the building industry to improve its efficiency and expand its output.

SITE-VALUE RATING ENDORSED

From *The Evesham Journal*, Friday, August 28

We feel that the proposal to rate site values instead of continuing with the present system is, on the whole, as fair and equitable as any scheme so far devised. For it takes the burden from those who find it too heavy and places it on those better able to bear it, at the same time tending to halt rising land values and help the housing situation by bringing more land on to the market. It is a far superior and more workable scheme than that of the Labour Party to nationalise all land ripe for development.

There are many people outside the Liberal Party who can see merit and hope in these proposals. Every thoughtful person knows that something must be done to reform the rates, to tackle the scandal of land prices and to provide land for housing; and many Conservatives will, perhaps reluctantly, give the proposals favourable consideration. Perhaps the Conservative Party might even adopt them wholly or in part. Even the staunch Tory *Daily Telegraph* in a leading article writes: "Since the only eventual answer to the crisis in property values is more land for development . . . anything which promises to achieve this . . . should be seized on . . . Here, surely, is an occasion when the Liberal Party should be allowed to perform its function of supplying ideas to those capable of carrying them out." This is certainly complimentary to the Liberal Party; but it would be rather cold comfort for Liberals if they found that their ideas were put successfully into practice and their political opponents got all the credit.