Preparing to Pilot Land Value Taxation in Britain

Anthony J.M. Vickers

Lincoln Institute of Land Policy Working Paper

Lincoln Institute Product Code: WP02AV1

Abstract

This was the second year of a three-year research project to help prepare Great Britain for the start of an implementation of land value taxation (LVT). The first year's report (WP00AV1) concluded that pilots of LVT were essential before a decision on nationwide implementation could be made.

Work during 2001 consisted of visits to Denmark and Pennsylvania (PA) to study the technical and political environments there and compare them with the status of systems in Britain. Most of this report concerns the lessons to be learned from PA cities that have—or are seeking to adopt—LVT.

Liverpool City Council had in June 2000 voted to ask Government to be allowed to pilot LVT, so research focused on Liverpool and included face-to-face interviews with business owners and discussions with city and other local officials.

The main conclusion of this report is that central government must enable local partnerships of property tax stakeholders, especially business leaders, to devise their own rules for funding regeneration. Taxation powers are an essential back up to voluntary property owner levies.

About the Author

Anthony Vickers is a chartered geomaticist who has worked with geospatial data mainly in public sector organisations for over 30 years. After 14 years in British Military Survey, he set up an independent consultancy Modern Maps and became involved with local politics. He was a founder member of the Association for Geographic Information in 1989 and serves on its Corporate Affairs Committee. He holds a masters degree in information systems. Between 1998 and 2002 he was Chief Executive of the Henry George Foundation of Great Britain (HGF). He is currently a part time postgraduate researcher at Kingston University, lecturing and writing for various journals about his work studying the practical and political aspects of how to introduce and administer property taxes with the aid of 'landvaluescape' mapping.

Contact Information
c/o Modern Maps
62 Craven Road
Newbury
Berkshire
RG14 5NJ
United Kingdom
Phone/fax: +44 (0)1635 230046
Email: tonyvickers@cix.co.uk

Acknowledgements:

Without the Lincoln Institute's support to the author through this Fellowship, the work could not have been undertaken and Britain would undoubtedly be less aware of the potential of LVT to solve many problems of the new century. The author also acknowledges valuable support from the directors and staff of the Henry George Foundations of Great Britain and America, who have endorsed and administered the project for him. Josh Vincent and Dan Sullivan were excellent hosts and guides in Pennsylvania and valuable time was spent with many senior officials in Philadelphia, Harrisburg, Allentown and Pittsburgh. The Institute of Revenues Rating & Valuation (IRRV) enabled three of their members to participate in the PA Study Tour and without the contributions to this report from them and other Tour members, the author's findings would deserve little attention. Liverpool City Council, mainly through Phil Halsall and Chris Newby, has supported the project throughout and the Valuation Office Agency has given constructive advice. Mark Thurstain-Goodwin's contributions, using the Lucas County Ohio AREIS data supplied free by the County Auditor Gerry German to produce demonstration graphics in support of the Fellowship, have been priceless. The Reduce-The-Use partnership of Margaret de Wolf and David Beardsley conducted the interviews with property tax stakeholders in Liverpool and Newbury. Robert Young undertook the library research into how the Whitstable studies had been received. Thanks also go to volunteers of HGF for helping produce the draft report "Lessons from The Smart Tax" which was prepared for the Liverpool conference that ended this stage of the Fellowship. Jerry Stovin's graphics using a photo supplied by October Communications was uplifting. Hopefully the level of debate engendered by this report will be sustained.

Table of Contents

Introduction	1
Background	1
Aim: Research Questions	1
Conduct of study	2
Study Tour of Pennsylvania	2
Review of Whitstable Pilot Valuation Reports	3
Engaging with Current Debate	3
Local Opinion Surveys	4
The Pennsylvania Study Tour	5
General	5
Tour Facts	5
Government, Politics and History	6
Land Use Planning	12
Local Government Finance	17
The Property and Development Industries	19
Valuation and Tax Assessment	22
Appeals Process	24
Economic Effects	26
Business Attitudes to Property Tax	28
Working with Civic Groups	30
Relating to New Labour's Agenda	32
Reconciling Differing Views of Tour Members	34
General	34
Planning	34
Valuation	36
Tax Administration	40
Market Effects	42
Politics and implementation	45
Postscript to the Pennsylvania Study Tour	48

Return to the Whitstable Studies 52

A View of LVT in Denmark 55

The 2001 General Election and After 57

- Face to Face with Liverpool Business 57
- Developments in Liverpool in 2001 59
- Tax in the Election 60
- Transport Infrastructure Funding 61
- Business Improvement Districts 61
- Land Registration and Valuation 62

Interim Conclusions & Recommendations 63

- Lessons from Pennsylvania 64
- Political Context and Contrasts 64
- Practical Aspects 69

Dissemination 72

Endnotes 75

Bibliography & References 76

Appendix 1: Demonstration Map Graphics 79

Appendix 2: Stakeholder Opinion Surveys 81

Appendix 3: A Scenario Update for ‘Smart Tax’ 82

Appendix 4: Liverpool Trial Valuation Area 85

Appendix 5: Research Questions revisited 86

Preparing to Pilot Land Value Taxation in Britain

Introduction

Background

This is the report of the second stage of a three-year David C. Lincoln Fellowship in Land Value Taxation (LVT) awarded to the author while he was Chief Executive of the Henry George Foundation of Great Britain (HGF). The report of the first stage was entitled Preparing for LVT in Britain, which was the overall aim at the outset of the project (Vickers, 2000a).

Early in Stage 1 it became apparent that there was a strongly perceived need for LVT to be piloted in one or more cities before a decision could be made as to the feasibility of a nationwide implementation. The Stage 2 bid focused on the experiences of several cities in Pennsylvania that have introduced split-rate partial LVT, proposing to report on the lessons that might be learned from this. HGF had already approved a proposal by the author to lead a multidisciplinary study team to PA's 'Smart Tax Cities.' The costs of the tour did not form part of this bid.

This Stage of the Fellowship also included a reappraisal of the only example of an attempted pilot of LVT in modern Britain—trial land valuations of the town of Whitstable in 1963 and 1973—and a visit to Denmark, which the Whitstable reports (Wilks, 1964 and 1974) had said offered relevant lessons to Britain.

A postal survey of property tax stakeholders conducted in Stage 1 had indicated strong support for many of the attributes of LVT, which it was resolved to follow up. The survey in Stage 2 was to use more statistically sound techniques and concentrate on business owners in Liverpool, where the City Council had in June 2000 voted to ask the UK to be allowed to pilot LVT—the only British city so far to have done so. Other meetings with stakeholder groups were to be held, in Liverpool and elsewhere, largely to test the conclusions of one of the survey questions: that value maps generated from property data using geographic information systems (GIS) could help people understand the principles and benefits of LVT and also help in its administration. The status of such data sets as would be needed for a pilot of LVT there was to be investigated but the demonstrations of value maps would use data from Lucas County, Ohio. Lincoln Institute particularly requested that this report "should include GIS."

Aim: Research Questions

The aim of Stage 2 of the Fellowship was to develop sound procedures and informed support which would make more likely the early implementation of one or more pilots of LVT in Britain. Having identified some of the key barriers to LVT in Stage 1, the study during 2001 would explore each stage in the implementation process in more detail, while not expecting to complete the preparation for any one pilot. In particular, it was not intended that any valuation of land for LVT would be carried out.

Six research questions were posed, which it was hoped could all be answered to some extent before drafting a 'blue print' for a pilot:

1. How would LVT sit alongside other (existing and proposed) policies for urban renewal and countryside conservation, at least during the trial period?
2. What legislation would need to be amended in order to allow LVT to be introduced to Britain?
3. What resources (staff, information and funding) would be required to establish a local pilot of LVT?
4. Could a pilot implementation, in a suitable city, be self-financing through the extension of the local tax base?
5. How could early pay-back (economic and political) ensure that local opposition to change would successfully be resisted?
6. How long would pilots need to last and how would success be measured?

Conduct of Study

Study Tour of Pennsylvania (PA)

The Tour Party was chosen as soon as the Fellowship Award was confirmed. Most of the members were supporters of LVT already and paid their own expenses. In order to ensure a balance of views and of professional expertise, the Institute of Revenues Rating and Valuation (IRRV) was asked to contribute towards the costs of three of its members who were interested in joining the Tour. HGF contributed towards the costs of a fourth volunteer member, who represented a key constituency: small business owners who pay the UK tax on commercial property occupiers.

Tour Party members were briefed as soon as their participation was confirmed. In the case of the three IRRV members, it was not possible to convene a briefing for them but the remainder of the Team attended a brainstorming session to help plan the itinerary and detailed objectives, ten weeks before departure. The outcome of the briefing meeting was a list of questions sent to the Tour host and organiser, the author's opposite number with HGF of America, which supplied all in-country travel and hospitality. The questions were categorised under the following headings: Planning, Valuation, Administration, Market effects (economics), Politics (selling the idea) and Implementation.

There were some difficulties in planning the tour, owing to late changes in availability of some key people. Answers to the questions sent to HGF/A were not available before the Tour and not all have been answered even now. Four cities were included in the Tour, three of which had LVT and one (Philadelphia) was in an advanced stage of preparing for it. The Tour was only five days in length and less than a day was possible in each city, so that the Tour Party depended upon meetings with a few key individuals.

Each member of the Tour Party took their own notes and wrote a report on their findings from their own professional perspective. These were circulated after the Tour for comment and compiled into a document that formed the basis of this report and was published in draft at a conference in Liverpool on February 22, 2002. It had been hoped to produce the draft report much sooner but differences in the findings of various Tour members had to be reconciled and some chapters were rewritten. Also there was no suitable event for launching the report organised until early 2002.

In addition to the written record, one of the hosts, who was also the driver of the Tour bus, recorded several hours on video of the meetings and some of the sites visited. Tour members were also interviewed individually on video at the end of the Tour. The intention was to edit this video footage and produce a short film to show in the UK. For technical reasons (the quality of the recorded sound was poor) this has not been possible, however some PA footage will be combined with material shot in Liverpool during Stage 3. An educational video on LVT will be produced as part of the final report of this Fellowship, incorporating some of the PA Study Tour material.

Review of Whitstable Pilot Valuation Reports

A researcher was appointed to investigate the files of organisations that would be expected to have taken an interest in the reports of the two Whitstable studies. The purpose was to find out what, if any, impact the reports had at the time and during subsequent reviews of local government finance in the UK. A short report was produced with conclusions on the reasons for the apparent lack of interest in and negative reaction to these studies, with lessons that could be learned for this study.

Having noted that the Whitstable reports made reference to Denmark's LVT and that Danish property tax experts have since been active in Eastern Europe and elsewhere advising other countries on tax reform, the author and one of the PA Study Tour members with Danish contacts made a two-day visit to Denmark to discover the current status of LVT and opinion about it there.

Engaging with Current Debate

The Fellowship enabled the author and HGF to be active participants in professional and political debates about land and local finance policy. Many opportunities were sought and taken to write in journals and speak at conferences about the Smart Tax pilot initiative in Liverpool and issues surrounding it (see Dissemination section). There were significant developments in the debate, mainly in London, during 2001 and HGF was able to contribute more to these as a result of the Fellowship.

In addition to the open conference on LVT in Liverpool on February 22, 2002 there were two meetings with the local Chamber of Commerce and Industry during Summer 2001, to discuss some of the questions raised in this research. No significant support for a pilot was forthcoming at that time, which was why resources were concentrated on a single conference, somewhat delayed from the original planned date of November 2001. The British General Election in June 2001 (a month later than expected) also effectively closed down debate on more political aspects of LVT for much of the period of this Stage of the Fellowship.

Meetings were also held with officials of the national organisation charged with maintaining property tax assessments, the Valuation Office Agency (VOA), both in Liverpool and at VOA's London headquarters. VOA is seeking to modernise its approach to tax assessments in order to reduce the level of appeals and consequent operating costs. The author sought to persuade VOA that value maps might be of assistance to them and thus to obtain support for aspects of this research.

Developments continued during 2001 regarding several national land information projects which Stage 1 reported on. The author had discussions with officials at Liverpool City Council (LCC) on the status of local geodata sets which have implications for LVT.

Assistance was obtained from Mark Thurstain-Goodwin, then a senior researcher at University College London's Centre for Advanced Spatial Analysis (CASA), in producing a variety of value maps for these meetings, using Lucas County, Ohio's AREIS data set. Lincoln Institute had specifically asked for more of this work to be included in the Fellowship and the map graphics proved very useful in demonstrating the way LVT would work (see Appendix 1).

Local Opinion Surveys

Although the Stage 2 bid suggested that a telephone survey would be used, after discussion with the appointed researcher it was decided that face-to-face structured interviews would be more effective in terms of resources. Margaret de Wolf, who was also a member of the Pennsylvania (PA) Study Tour, advised that personal approaches to business owners would prove more fruitful than attempts to reach them by telephone.

With a colleague from the Reduce-The-Use consultancy, she interviewed 100 business owners in Liverpool and—for control—25 in Newbury, a contrastingly prosperous town in southern England where the author lives, during April and May 2001. The same 16 statements about property taxes were put to the interviewees as had been in the postal survey of 2000 (Stage 1) but the last statement on value maps (see Appendix 2) was slightly modified and a 'show card' illustrating what was meant by such maps was used. Some of the other statements were also slightly changed for clarity, at de Wolf's suggestion. Notes were made of unsolicited comments by interviewees and a report (Reduce The Use, 2001) summarising these and the results of the survey was produced for the author to use for this report.

The Pennsylvania Study Tour

General

This section consists of summaries of the first ten chapters in the book ***Lessons from the Smart Tax*** (Vickers, 2002a) that deal specifically with the PA Study Tour. Although a draft for this report, the book was deliberately written in a somewhat different style for a slightly different purpose. These chapters retain the relevant opinions of their respective authors, who represent different professional and political standpoints. For this Lincoln working paper, in order to maintain a better overall balance and focus on the research questions of the Fellowship, only the salient points are preserved. The names and relevant attributes of each author (where these are not the author of this working paper) are given at the start of each summary.

The views of Tour Party members were inevitably highly influenced by both their own personal backgrounds and by the limited amount of information each received during the short tour. It is therefore important to recount who was met and in what circumstances.

Tour Facts

The visit to PA spanned from the evening of Monday March 26 to Sunday April 1, 2001. It commenced in Philadelphia, where the Party met with City Controller Jonathan Saidel and his staff, one of whom, economist Bruno Moser, accompanied the group to Allentown for meetings with Finance Director Jon Hammer and City Controller Frank Concannon. City councillor Ben Howells, who had championed LVT in the city, hosted lunch with Allentown's Mayor, then took the Party on a tour of Allentown. From this was learned much about the financial case for LVT in cities suffering from urban decline.

Much of the time in PA was spent driving but the time was used to expand the discussion on what was seen and heard. Tour hosts Joshua Vincent from the Center for the Study of Economics and Dan Sullivan, a Pittsburgh LVT activist for many years, were most informative. A late morning meeting on the Wednesday with Mike Gasbarre, the Director of the Local Government Commission of the Commonwealth of Pennsylvania and his staff, took place in the capital city of Harrisburg, at which the constitutional situation in PA was explained.

The Mayor of Harrisburg, Stephen Reed, unfortunately had to cancel his meeting with the British visitors at short notice and the city's Director of Planning, Dan Leppo, proved less knowledgeable on LVT than had been hoped. However a tour of some of the city's regeneration projects was useful.

Thursday was spent travelling from Philadelphia to Pittsburgh, where on Friday a number of meetings took place. The political implications of poor property tax assessments by Allegheny County were revealed by the Chiefs of Staff of both the incumbent Mayor and his challenger for office that year, respectively Michael Peduto and Doug Shields. A member of the City Controller's staff, Kevin Forsythe, also found time to discuss the highly topical matter of the reassessments by Sabre Systems.

Although the City Council in Pittsburgh had suspended the split-rate tax, the Downtown Partnership had retained its LVT and the Tour Party heard why, from its Canadian Director Harry Finnigan. The last formal meeting of the Tour was at the State Governor's Western Regional Office in Pittsburgh with the Department of Community and Economic Development (DCED). Michael Foreman cast light on the experiences of several smaller cities in western PA, such as Clairton, that have used split-rate property tax and gave his view of the reasons for—and consequences of—the furore over reassessments.

A dinner hosted by Professor Herbert Barry, long-time supporter of LVT and Democratic Party Committeeman, at the University Club in Pittsburgh, was attended by a number of local members of HGF of America, allowing the Tour Party to thank them for their generous support of members' expenses. These and a few local residents encountered in the Pittsburgh Holiday Inn were the only meetings with nonofficials at which personal views could be sought.

On the Saturday morning the Party visited Aliquippa, a small and very depressed municipality in Allegheny County with LVT. No meetings with officials were held. Interviews with individual Tour members were video-recorded that evening.

Government, Politics and History

This section draws on three publications of the Governor's Center for Local Government Services which were given to the Tour Party: Citizen's Guide to PA Local Government (DCED, 2000), Taxation Manual (DCED, 1999) and Fiscal Management Handbook (DCED, 1998), in addition to other conversations and documents.

Constitutional Overview

The democratic structures and systems of government of PA and the UK are very different. PA is highly federal and 'rigidly devolved,' which most UK visitors found surprising and all agreed was refreshing and highly significant.

The problems of government in PA are almost the opposite of those in the UK. There is, in the opinion of many state officials, too much fragmentation and diversity and too little control exercisable by the state, over its mosaic of 5,327 individual local government units for a total population of under twelve million. British local government officials might envy this and Whitehall mandarins would in general be horrified.

As in the UK, local governments are creatures of the state. They cannot make their own laws, other than where the Commonwealth of PA so provides, nor can they create their own subjects of taxation. Although there are 'levels' of local government (counties, cities, boroughs, townships, school districts and other authorities) they are all distinct and independent of each other, although they may overlap in extent.

Like the UK, local government is not homogenous: some parts of PA are governed locally by a different mix of authorities than others. For example, Philadelphia is very similar to a British metropolitan borough or unitary authority: a 'consolidated city-county' of population nearly 1.5 million, unusually without a separate school district in its area. In contrast, Pittsburgh is a city of over half a million, within and dominating a county that includes several smaller cities, boroughs and townships, some but not all co-terminous with school districts.

PA is governed by elected politicians: an executive Governor and a bi-cameral legislative General Assembly (a 203-member House of Representatives and a 50-member Senate). Under the US Federal Constitution, two 'sovereigns' (Federal and State) coexist: all powers not specifically reserved to the Federal US Government are held by states. The Federal Constitution is silent on local government, although since the Great Depression of the 1930s the federal government has taken an active role in financial assistance to deprived areas within states.

The most significant fact about PA's government and the US Federal system generally, for the purpose of this study, is that its written Constitutions safeguard the right of certain classes of local government to adopt Home Rule Charters. Within these charters it is possible to embed provisions relating to taxation. The PA State Constitution does not specify which taxes can be devolved: that is done by statutes such as the 1998 Boroughs Bill, which allowed all 962 boroughs to adopt the split-rate property tax (see below). Local governments can also determine for themselves to a considerable extent what structure of government to adopt and what powers they wish to exercise.

The Study Team learned most about PA's local government from the Local Government Commission in Harrisburg, supplemented by the Governor's South West Regional Economic Development Department in Pittsburgh. It also gained insights from other meetings with city and county officials.

<u>Structure, powers and composition of local government units</u>

In essence, PA has what UK calls 'two-tier' local government. Every citizen lives in both a county and a municipality (except in Philadelphia). Counties and municipalities are classified (generally by population) and each class has a slightly different State Code or law defining the way it should operate. A Home Rule Charter enables a local government unit to go beyond the State Code in certain important respects, although even without it there is much more flexibility than exists for a British local authority.

Counties have most of the judicial and registration functions. They also normally carry out all property assessment for local taxation by authorities in their area. They tend to have a fairly small staff and an extremely small council or commission (often only three elected members) who appoint most senior officials. All judges and senior finance officers in PA are directly elected. In smaller counties the elected commission is also the Board of Assessors, in others there are separate elections for assessors or they are appointed by the commission. Assessors need not possess professional qualifications.

Municipalities have all the powers of a British Unitary authority, except education and social services. In addition they run police forces and fire services. The smallest municipalities (36% have less than 1000 electors) often have less than three policemen and firemen! Some municipalities choose to combine certain of their services, in order to gain economies of scale. Many public services that are statutory in the UK are optional in PA: zoning (planning) is one example that is dealt with later.

Various governing structures are possible for municipalities. Elected councils are always far smaller than those in the UK, usually only five to eleven members. But in addition to electing the council, in most municipalities elections are held for several other public offices: mayor, controller and even chief officers. Several governing structures, similar to those now being introduced to British local authorities, are available: 'strong' (elected) mayor and council; council with appointed manager; 'weak' mayor (elected by council); commission. Larger cities tend to adopt the strong mayor model.

501 school districts are governed by nine-member directly elected lay Boards. Only in Philadelphia is the School Board appointed, by the mayor. School districts are significant in this report because they preempt the property tax base: well over half the total property tax paid goes to school boards, despite the fact that education also accounts for most of the State's grant aid to local government.

Parties and Elections

Political parties have rather a different role in the US. There is no real Federal policy manifesto and even within states there are considerable variations in the type of person who affiliates to a party in different areas. Although rural areas of PA maintain a certain independence from both main parties and local personalities hold more sway than party machines, in some respects local parties have more influence on the political process than in the UK. Several cities have had decades of rule by one party but debate remains alive within that party: the 'whip' is far less evident and council members and officials elected on a party ticket exhibit considerable independence.

Because of the primary system of elections, there are stronger factions within parties. There is no requirement for citizens to be registered unless they want to vote and proactive voter registration is not a statutory duty of the State or local government.

Falling voter registration and turnout at elections is a concern but it is still mainly left to political parties to seek to persuade citizens to register. Because the unregistered half of the population is in general the less wealthy, this gives the electorate an in-built bias towards the right and the propertied. Only voters with a recorded party affiliation can take part in primaries for that party. Voters remain registered until they either re-register (e.g. upon moving residence) or fail to vote in two Federal elections. Hence there is a continual need to monitor the voter register, which the county maintains.

Primary elections take place for local public officials every other year, with whole councils elected at a time for four years and other officials elected in the other 'off' year. State and national elections take place in even years. In general the whole municipality or county is a single electorate, although some larger cities may have election districts (wards). Since the US uses a 'first past the post' voting system like UK's local councils and Westminster Parliament, there are often municipalities with all officials from the same party. In a few cities (e.g. Philadelphia) the presence of some opposition councillors is guaranteed by laws preventing any party from putting up as many candidates as there are seats.

Unlike the UK, voters in the US can obtain opportunities to directly change local and state policies through referenda which are held on the same day as the annual November elections. This is done by collecting a set percentage of voters' signatures in support of a Proposition, requiring the relevant jurisdiction to hold a referendum.

Local Taxation and Finance

There is much discretion given to local government units in PA to vary the type and level of taxation that each levies. Around 70% of revenue spent by local government is raised locally, only 30% comes from the state or federal sources. Of this, the proportion from federal grants is rising.

This is the reverse of UK. If anything, the trend in PA is towards devolving even more tax raising powers and putting more responsibility on local government to finance its own expenditure. There seems to be little opposition to this from local politicians or voters.

Given these powers, it is surprising that there is not more diversity in taxation. That could be because of the innate conservatism of the many small jurisdictions, leading to inertia. Only 71 local government units have adopted a Home Rule Charter and until they do it is very difficult to change the tax base. Hence only two municipalities have hitherto taken advantage of the 1998 Boroughs Bill.

There are also other financial options available to councils. They can borrow up to three times their tax base without electoral approval, an unlimited amount if the loan is either self-liquidating (e.g. through user charges) or if a referendum of voters agrees. They can use tax inducements to attract investment by developers or industry, in the hope of enhancing their property tax base through development.

'Tax reform' in a PA context is more likely to be nothing to do with LVT. Usually it means reducing property tax altogether and increasing income tax. That is because the effective electorate (those registered and voting) is increasingly aged and property owning. The largest part of property taxes goes to fund schools and a growing proportion of property owners have no personal interest in education and are on low incomes. Self-interest is driving this 'reform.' However the political urge to reduce the property tax is usually resisted by officials (if they are not elected or appointed by those who are!) because its economic benefits and low cost of administration are well known.

California's famous "Proposition 13" is an example of what can happen when the property tax gets into disrepute in the US. 'Grey power' campaigning managed to obtain statewide support for a referendum which set a cap on property taxes. In PA, Homestead Exclusion Act 50 of 1998 enables local voters to proposition for the right to obtain exemptions from certain residential property taxes in their area, substituting wage taxes in their stead.

Political History of Split-rate in PA

Pittsburgh and Scranton pioneered the split-rate property tax in 1913, gradually over ten years increasing the differential between the tax on land and that on improvements to 2:1, which was at that time the maximum allowable by the State. This remained throughout the Depression and World War years. Meanwhile non-property taxes increased massively, reducing the impact of the split-rate.

In 1951 the State removed the 2:1 limit and extended the right to introduce split-rate property tax to ‘third class’ cities. Not until 1975 did any city take this up and only in 1979 did Pittsburgh increase its split to 3:1. When in the 1980s more cities went split-rate, some went as far as 10:1 or more. As the split **rate** became more marked, attention was drawn to the importance of the split **assessment**.

In 1998, a Republican State Governor signed a new law passed almost unanimously by both houses of the General Assembly, extending the right to introduce split-rate property tax to almost all municipalities. There are now 20 jurisdictions (about a quarter of all those with Home Rule Charters) using split-rate in PA. One of these, Allentown, has included a law in its Charter that in effect requires all new taxes to be in the form of LVT: all other existing city taxes will waste out over time or be abolished.

In 1996 Pittsburgh formed a downtown business district with its own tax-raising powers, one of over 1000 Business Improvement Districts (BIDs) throughout North America. This decided to levy a tax entirely on land values, which the city council collects on its behalf from some 550 property owners.

The effect of split-rate in cities is much diluted by the fact that counties and school districts cannot use it. In Pittsburgh for example a 6:1 ratio for the city tax reduces to 2.5:1 in actual property tax bills when the flat-rate taxes of county and school district are added. To an extent, the downtown area redresses this with its undiluted LVT.

Only two cities in PA have abandoned the split-rate. In 1992 Uniontown made the mistake of introducing it the year before its county completed revision of 34-year-old assessments. The huge changes in tax bill over three successive years caused by this tax- and assessment-reform discredited the split-rate and it was dropped after a year.

Allegheny County, which includes Pittsburgh and two smaller cities that adopted split-rate in the 1980s, completed a reassessment in 2000. At the same time it decided to change the tax base for property taxes in the county from 25% of assessed value to 100%. Furthermore the County did not publish split assessments prior to issuing the tax bills. Compounding the confusion and furore at the start of a year with Pittsburgh’s mayoral election, the contractor used to carry out the reassessment had been unfamiliar with split-rate taxes. The tax bills seemed to thousands of voters to make no sense.

Pittsburgh City Council responded by voting in February 2001 to rescind the split-rate altogether for the coming year at least. However the other two split-rate cities in Allegheny County have voted to retain the split, indeed Clairton has massively increased it to over 20:1. Also the Pittsburgh Downtown Partnership voted to retain its LVT in full: it will suffer most from the city's abandonment of a higher tax on land values.

Pittsburgh has introduced the Homestead Allowance, in accordance with Act 50 of 1998, as a 'sweetener' for low-income residential homeowners who would otherwise lose out with the ending of the split-rate. Roughly the first $10,000 of assessed value can be tax-free for certain categories of owner-occupier upon application.

At least ten other states, many of them neighbours of PA, show signs of moving towards split-rate enabling legislation (see also Postscript section below).

Conclusions and lessons for UK

The decline in trust of politicians that can be seen in democracies everywhere is in PA hastened by the high level of politicisation of local government (although not in a party sense). There is increased demand for the State to intervene to ensure minimum standards of public service and professionalism. The non-viable small size of so many local government units, dependent on part time amateurs for increasingly complex services, makes this a bigger problem for PA than it is in the UK, which has recently reorganised local authorities partly to deal with this problem.

This relates to property tax assessment because almost everyone involved in it is elected. There are many instances of reassessment projects and individual property assessments being subject (allegedly) to political interference. In the UK there is opportunity to defer the process but not to affect its outcome: this is probably more to do with cost than unease about consequences.

Local government is less trusted in the UK than in the US. The idea that national government should 'cap' local government's spending, or dictate how much 'should' be spent in total or on specific functions by local authorities, is entirely alien to the US. British local government has been preoccupied by a 'begging bowl' culture imposed by Whitehall and by arguments over how fairly the central grant is being shared out between local authorities. PA shows that relaxing capping and providing choice to local voters over tax levels and types does not lead to anarchy.

The position of city and county controllers is interesting. They perform similar duties to UK council treasurers as regards internal audit but their political independence from the elected council gives them added power. With this, as Pittsburgh and Philadelphia have shown, comes a better chance of innovation, because there is an inclination to challenge the council or mayor which is unlikely to exist when the senior financial control officer can be fired by the council. As the UK's devolved system of government develops, perhaps this independent audit role could be assumed by national or regional government taking over District Auditors' functions.

The unpopularity of property tax as the means of funding school districts in PA perhaps shows that it is expedient to use 'people-based' taxes (such as income tax) for people-based services. It might be politically more acceptable in the UK to initially link the introduction of LVT to the provision of land-based services: regeneration, transport, planning, fire fighting, police and environmental protection. Interestingly this could make the tax suitable for the Greater London Authority.

Given the fact that the effective electorate in PA (those on the voter register) is skewed towards the right, it is all the more surprising that some cities have split-rate. Partly this could be because LVT has never been a party political issue: there are Republicans as well as Democrats who support LVT. In the UK, it is important to try to persuade Conservatives and New Labour, as well as Greens and Liberal Democrats, of the synergy between LVT and their different political philosophies.

Finally it is apparent that just as important a political issue as split-rate tax reform is property assessment reform. It is vital that the UK retains an independent body of professional property tax assessors which reassesses properties for tax (whatever the tax base) at least as frequently as now. PA‘s recent history shows that the political prospects for LVT are only as good as the land value assessments.

Land Use Planning

Greg McGill, a chartered surveyor and town planner, senior lecturer at the College of Estate Management in Reading, England, was looking at how LVT might ‘help town planning in the UK.’ He therefore was interested in comparing both the planning system and the local property tax systems in PA with the systems he knows. He followed up the visit with correspondence to several of the contacts made and prepared for it by reading several relevant books on the subject, notably Day (1995). McGill is a founder member of Progressive Forum.

Comparison of the two planning systems

Pennsylvania’s Department of Community and Economic Development states in its promotional and explanatory literature that planning is:

> *“a legal means of deciding how best to provide a proper arrangement of land uses, efficient circulation, desirable environmental features and general amenities of community life. Development of a comprehensive master plan for the community should consider all elements influencing its growth: population changes, land use, transportation, recreation, education, utilities and economic structure.” (DCED, 2000)*

This is very similar to planning in the UK, where the primary purpose of planning is to regulate the use and development of land in the public interest. Both imply that planning powers exist over all property although in reality they are only exercised where new ‘development’ (new buildings or changes of use) is proposed.

Both systems work through a system of publicly accountable plans and policies together with a means of regulating development proposals in accordance with those policies through a permit system. But that is where the similarity ends. Differences in culture, history, geography, demographics, the structure of local government and attitudes to enterprise, development and the environment ensure that different approaches to land management are adopted.

In the US each state has its own legal structure and system of land use controls. In PA this is operated through the Municipalities Planning Code (MPC) which delegates responsibility for planning to the cities of Philadelphia and Pittsburgh and to each county and local municipality in the State. This is similar to the UK where responsibility is delegated to county, district and unitary authorities, although unlike the UK where development plans are produced everywhere (they are mandatory), municipalities in PA do not have to make use of their planning powers if they choose not to. Out of a total of 2568 authorities with planning powers only 1615 (63%) have made use of this right indicating that plans are nonexistent in many areas.

Other differences also exist. First, of the 2568 authorities, over 30% (793) contain fewer than 1000 people and, overall, some 80% (1855) have a population of less than 5000. This contrasts dramatically with UK planning authorities where their populations are, on average, around 80,000 people. In other words, planning in PA, where it exists, is delegated to a much smaller more local level of government which closely equates with parish or community councils in the UK.

A further difference is that where municipalities in PA have decided to make use of their planning powers they can do so in different ways. For example a municipality may prepare its own comprehensive plan to act as a guide for the physical development of all of its area or it can pursue subdivision (dividing land into plots for new development) in selected areas. Planning in the UK is more comprehensive in that strategies and detailed policies for how all land is to be used are contained in development plans supplemented, where necessary, with additional planning guidance.

How the authorities operate can also differ. Whereas UK planning authorities are advised by professional planners in departments managed by the authorities, in PA it is also possible in the municipalities for elected members, provided they are residents, to exercise planning powers themselves without the aid of professionals.

There are, therefore, substantial differences between the operation of the two systems. In the UK there is a comprehensive land use planning system which operates everywhere and coordinates development both strategically and locally. In PA, there is a system which does not operate in many areas, is more parochial and less coordinated in its approach to land management.

Against this background it is not surprising that different authorities should produce different results and provide contrasting insights into the relationship between planning and land tax. This was certainly the case with the five cities we visited, namely, Philadelphia, Allentown, Harrisburg, Pittsburgh, and Aliquippa as the following reveal.

Philadelphia

Like many other cities, Philadelphia has experienced considerable decline for many years. With a peak population of over 2 million in 1950 it is now 1.5 million. The city's youth and white population have moved out, leaving behind an increased percentage of senior citizens, African Americans and Hispanics. At the same time immigration has increased the sizes of the minority groups and economic shifts have changed the mix of employment opportunities. Manufacturing, wholesale, retail, construction, Government, finance, insurance and real estate have all declined especially in the last decade when more than 100,000 jobs disappeared. In contrast, jobs in transportation, public utilities and other services increased over this period.

The effects of these changes are predictable and were clearly evident. Poverty, vandalism and urban decay were all evident with many sites left vacant especially on the periphery of the city centre. Numerous measures and programmes had been tried and tested with limited success. Among new measures proposed, LVT was seriously being considered. A planning system was in operation but as land tax had not been introduced there was no relationship to examine.

Allentown

This city of around 40,000 people is one hours' drive from Philadelphia and one and a half hours' drive from New York. It is firmly in commuter country where one would expect it to be a relatively wealthy town. Indeed in many respects this appeared to be the case: many smart and well-kept properties, attractive and actively used parkland and few vacant downtown sites. Yet there were many older terraced or row houses in varying states of neglect and few tall buildings. One of the most modern but ugliest building in the centre was the city jail next to the city hall.

The major reason for the neglect was said to be that the main employer serving the town—Bethlehem Steel—had ceased production a few years earlier and that this seriously affected employment and businesses in the area. The system of land tax now in operation was introduced in only 1996, partly in response to this closure but also because many residents would pay less tax. A system of planning was in place but no relationship existed between this and the new land tax. It was also too early to see what effect the tax was having on urban renewal and how land uses might have changed as a result of the tax.

Harrisburg

Harrisburg, the State capital with a population of 53,000, has good road and rail communications, an attractive setting by the Susquehanna River and Government offices with their consequential increases in employment and the provision of services. On the negative side it is only a few miles from Three Mile Island where the nuclear accident occurred and the city is prone to serious flooding. The floods of 1972 and 1975 are reported by the Director of Planning to have seriously exacerbated the out-migration of Harrisburg's middle class.

In 1981 the city was recognised as being one of the most distressed cities in the US. This was based on an unemployment rate more than 1.5 times the national average and a poverty rate applying to more than 30% of the population. Other factors at play were the fact that the city faced financial management difficulties, a loss of US Government support due to these difficulties, a loss of municipal credit rating and imminent bankruptcy.

The situation necessitated a new approach involving LVT (begun in 1982) since when the city has had sustained economic resurgence. The unemployment rate fell from 9.5% (in 1980) to 4.8% (in 2000); the number of businesses increased from 1908 (in 1900) to 5453 (in 2000); the number of vacant structures fell from over 4200 (in 1982) to less than 500 (in 1997); and the crime rate fell 22% after 1982.

As far as real estate is concerned the city also saw an increase in building permits as follows:

Years	Number of building permits	Average number per annum	Total fees ($ unadjusted)	Average fee per annum ($ unadjusted)
1980-1984	4724	945	792,580	168
1985-1989	5031	1006	1,263,285	251
1990-1994	6762	1352	1,251,979	185
1995-1999	9395	1879	2,624,392	279
(Source: Harrisburg Planning Commission, 2001)				

These figures show that there was a virtual doubling in the number of building permits from the early 1980s to the late 1990s with a more than threefold increase in fee value. The smaller average fees suggest smaller projects and the differences in average fees over the years suggest that there were cycles when the size of projects changed.

There is, therefore, evidence of improvement as a result of the land tax although it would be useful from a land use planning point of view to find out how this affected the different sectors of development (residential, commercial, etc.) and where and when the permitted projects took place. Unfortunately this information was not readily available.

Pittsburgh

At one time Pittsburgh was the centre of the US iron and steel industry. Known as the Iron City with a population of over 600,000 in its heyday, it is now home to around 350,000 people and all the steel mills have gone. As with Philadelphia and Harrisburg the more affluent residents have moved out to the surrounding communities or further afield leaving a more aged population.

However, unlike the other cities, Pittsburgh has had a system of land taxation in operation since 1913. As Oates and Schwab (1997) point out, it was not until 1979 when the tax on the land was increased to nearly six times that on buildings that any significant urban renewal took place. Certainly the downtown area contrasted markedly with the other cities visited, in that it had many new high-rise buildings and others which had been refurbished. What was less apparent was the effect of land tax on other parts of the city. Few signs of new development elsewhere were seen, apart from in the district of Mount Washington. As in Harrisburg, information was not readily available about the type, location or scale of development that had taken place in the city.

Aliquippa

The last city to be visited was Aliquippa located a few miles to the north west of Pittsburgh and close to the Ohio River. A former steel town which now had a population of 13,000, it once employed thousands of people within hundreds of hectares of industrial land. Today most of this land lies idle apart from one modern steel mill employing only a small percentage of the former workforce. The downtown area fared little better with many empty plots and buildings.

Aliquippa, however, taxes land far more heavily than buildings—in 1996 the ratio was 16.2 to 1—suggesting that there should have been far more urban renewal. It was noticeable, however, that the steel mill and downtown area were difficult places to get to. They were remote from the motorway network and most of the town's activities appeared to be centred in a more accessible suburb some distance to the south.

Lessons for the UK

The visit provided little new evidence of interaction between land taxation and land use planning systems in PA, although several city officials clearly believed in such interaction. Zoning and comprehensive land use planning exist in many areas visited, making it very difficult for land values in these areas to influence how land might be allocated or vice versa. Elsewhere planning controls did not appear to be undertaken in any coordinated way between authorities indicating that even if the county assessors and land planners had wanted to coordinate their activities to produce more efficient and effective patterns of land use there were no mechanisms for them to do so. This did not mean, however, that there were no lessons to be learnt. Four main issues or lessons are identified:

a) The demand for land. Zoning cannot by itself create demand for land thus allocated. Aliquippa in particular showed that no amount of differential taxation of land and improvements will incentivise development if other factors militate against regeneration of an urban area. In this case, poor access and lack of facilities make the former industrial sites very unattractive: external sources of finance will often be needed to at least start the process of rehabilitation and reconnection of sites, before LVT can perhaps accelerate that process. This begs questions as to who should be responsible for such 'pump priming' investment and where should funds for it come from: which sector (public or private) and/or which level of government.

b) Rate of land tax. There is no clear relationship between the ratio (land: buildings) adopted for split-rate or the absolute level of the tax and the economic effects engendered. It is impossible to say how much land tax will start the process of urban renewal (other factors being favourable for it to happen), although statistical studies (notably Plassman & Tideman 1999) have shown conclusively that the split-rate in PA has had remarkable positive effects. There is also no published evidence in PA as to the effect on adjacent areas if the split-rates are set at different levels.

c) Timing the introduction of LVT. It seems that it takes time for property industry players to respond to any incentive effect in the split-rate tax. Little change was evident to the eye in Allentown but far more in Harrisburg and Pittsburgh, which have had LVT for much longer.

d) A matter of Location. Because all the cities visited which had split-rate were (or had been) victims of urban dereliction where the majority of voters had perceived they would benefit financially from the policy, it remains to be seen whether LVT could be made attractive in a more typical municipality, whether in the US or UK. One could accept that LVT has worked in a few cities in the PA 'rust belt' yet remain skeptical, after this Tour, as to whether it would work everywhere. Apparently many—if not most—American cities accept sprawl and long commutes, whereas most of Britain more urgently seeks policies that help to reduce these phenomena, because there is less land.

The PA system where some authorities apply the land tax and some do not could present serious problems for the UK. If the perceived quality of life in one city or town **with** LVT was below average but that of the surrounding areas **without** LVT much higher, the prospect of sprawl would be increased. The lesson, therefore, is that great care will need to be exercised in the way that land taxation is introduced and allowed to operate in the UK. It suggests that the policy ought to be applied everywhere, although this comes back to the question of whether the rates could differ between localities and/or authorities.

Local Government Finance

Allan Traynor IRRV is a revenues manager for a Scottish unitary local authority. He had no prior exposure to LVT, either in theory or practice. His focus was to establish how the split-rate tax operated in practice.

Any taxation system needs to be simple, cheap to administer and effective in terms of level of collection. Experience in the U.K. over the last decade with the Community Charge (or Poll Tax) has also shown that any form of local taxation must have a perception of fairness and accountability. Even the many who today still support the Poll Tax in principle accept that its perceived unfairness led to widespread evasion which in turn led to greatly increased compliance costs for local authorities.

A further issue relevant to the UK is the relationship between local and national taxation, particularly the share of local authority budgets obtained from taxes set and collected at national and local levels. The UK Council Tax, being the only current form of local tax raised by local authorities themselves, accounts for only some 16% of councils' income, with the remainder being provided from central government grants, including a portion of redistributed non-domestic rate income. Consequently the 'gearing' effect of small changes in a council's budget having a much larger effect on household (hence voter) Council Tax bills than it would if there were other, larger, sources of revenue independent of central government available, has an effect on the collection performance for Council Tax. This is largely obscured by the existence of Council Tax Benefit, which means that households with a low income should not feel the effect of high gearing, which falls on middle-income households.

Issues relating to the level of tax payable on individual properties and collection performance were not studied in depth during the study tour and it is not possible to make judgments in terms of the effectiveness of the tax. However the ability of local government in the US to generate far more of its necessary income from a variety of taxes whose nature and levels it can control, of which LVT is only one, is highly significant. For example Allentown generates just short of 60% of its tax base from LVT and yet has numerous other local taxes at its disposal. Interestingly some local taxes are levied on those who have no vote in the particular area concerned.

Evidence given verbally during the trip was that collection performance was not an issue. This is very different to the position in the UK, where the yield expected from LVT in each authority would be a significant factor in its perceived and actual success.

Again, there was little evidence that concern about inequity was an issue in PA. However, the recent valuation exercise in Pittsburgh revealed the very issues that brought the community charge into disrepute, namely the failure to maintain accurate and fair property tax assessments, which leads to inequity. The process by which property assessments– and the component of land values within them—are arrived at must be open, accountable and understood if a perception of fairness is to be achieved for property tax and LVT in particular. Implementation of the tax on the Pittsburgh model would be doomed to fail as it would not satisfy these tests.

From an operational view, there are no underlying reasons why LVT cannot operate in the UK. However, there is one fundamental difference between the US and UK property taxation systems in that liability rests with owners and not, as in UK, on occupiers. As a result tenants are not liable for the tax. With such a large (although reducing) proportion of housing being local authority owned and therefore probably exempt from LVT, this would clearly be an unacceptable position in the UK. The nature of LVT in the UK would need to differ from that in PA and no real lessons can be learned as to collection rates and acceptability.

It appeared rather ironic that, in the absence of LVT, Philadelphia's city controller was proposing tax breaks for prospective developers, which would be expected to have a similar effect. From a tax collection viewpoint, giving tax breaks to developers could be more effective than attempting to collect LVT from owners of vacant land and buildings. The Scottish experience of the empty rate, where 50% of the business rate is payable on empty offices, showed absolutely no evidence that it affected property development, with collection of the empty rate being difficult.

Land is currently exempt from the “empty rate.” It is being suggested that LVT be introduced on a pilot basis. If the assumption that taxation of land will stimulate urban regeneration is correct, it may be far better to test this theory by amending the empty rate regulations, if that does not require primary legislation. Councils could be given the discretion to charge full rate on empty land.

As for the BIDs idea, which was studied in Pittsburgh, it is questionable whether such a system would receive the same support in the UK from occupiers, including the small business community. There does seem to be evidence from the US that BIDs stimulate redevelopment. A pilot of BIDs, based on the current property tax system, should certainly be introduced to see if this would stimulate the interest and involvement of the business community. If property owners are to be required to pay a levy towards BIDs, this will require new administrative systems to be devised.

There are clearly many fundamental differences between the systems of financing local government in the US and the UK and these need to be taken into account in looking at how to introduce LVT. A comprehensive review of how local government is funded (now being carried out by the Scottish Parliament for Scotland[1]) is due for the whole UK and should be undertaken before introduction of LVT is seriously considered.

From a revenue collection perspective, there seems no overriding reason why LVT could not operate satisfactorily. The US model cannot simply be transported to the UK and clearly a great deal of work is required to establish an acceptable and transparent methodology for the valuation of land, suitable for British conditions. Only when there is an established system for land valuation can it be justifiable to spend significant resources on studying other problems of administering LVT.

The Property and Development Industries

Robert Ashton-Kane IRRV represented the commercial property industry on the PA Study Tour, volunteering at a late stage when Professor Peter Brown had to pull out. He is director of a firm of property agents and a former valuer with the Inland Revenue’s Valuation Office Agency (VOA) in Liverpool. He had a slight knowledge of LVT but has since become interested in the subject and been engaged to undertake the trial land valuation of part of Liverpool, which is at the core of Stage 3 of this Fellowship. He has recently attended a one-day course in land valuation at Lincoln Institute and also met with Ted Gwartney, a leading expert in North American land valuation practice. His brief on the Study Tour was to focus on the impact which LVT seems to have on developers and property owners. His views at the time, summarised below, seem to scarcely draw at all on his Study Tour experience and may have altered somewhat since then.

He first questioned whether ‘land banking’ is, as LVT supporters claim, always an antisocial practice. He put forward the argument that landowners and developers are often ‘entitled’ to sit on sites while awaiting increases in value until the development of a site or group of sites becomes profitable. Calling to his aid the law of supply and demand, he first acknowledges that LVT would, in theory at least, promote an increase in the supply of affordable housing by taxing vacant homes and undeveloped land benefiting from residential development consent. However, if the level of demand for housing in an area is so low that there would be no market for the finished properties at a price that would justify undertaking the development, the developer is unlikely to commence construction. If LVT was applied to the land in such a circumstance, this would exacerbate the situation as the developer must either bear this additional cost or attempt to pass it on to the purchasers of the finished product.

The sale price of the finished houses will be dictated by the market forces, not by the developer unilaterally deciding he wishes to preserve his profit margin by passing on his additional costs (the LVT burden). Indeed, the burdening of the developer with LVT would be counter productive in that, at best it would discourage the business activities of all property developers as it would adversely affect their profit margins. Perhaps of even greater concern, the application of the tax to sites whose economic viability was marginal, could tip the balance beyond any development being commercially viable. The net result would be that there would be more redundant sites and derelict buildings and the blight on the landscape increase.

The present methods of tackling urban decay in Britain tend more towards encouragement rather than obligation. There have been many initiatives adopted in recent times to ‘kick start’ the redevelopment of run down areas of the country, including the Development Corporations armed with limited legislative powers and substantial finances, and Urban Regeneration Areas and Enterprize Zones with tax incentives for developers and occupiers alike.

The ethos of using “carrots” as opposed to “sticks” to promote the redevelopment of neglected areas stems from the lessons learned from the relatively short-lived and, arguably, retrograde efforts of the Betterment Levy and Development Land Tax of the 1960s and 1970s. These sought to tax the windfall gains enjoyed by landowners derived as a consequence of increases in land values which often accrued as a result of physical or legal changes outside the influence of the beneficiary. Instead of encouraging urban redevelopment, these penal levies against entrepreneurial ventures in land (80% basic rate of Development Land Tax) dissuaded many speculative land acquisitions. Given that the taxes were payable at the instant the benefit accrued (often simply upon the granting of planning consent), many of the larger and longer-term prospective schemes became financially non-viable.

Several studies have been undertaken to look at the impact of PA’s split-rate property tax on development. One such study, by Wallace Oates and Robert Schwab, both of the Department of Economics, University of Maryland in early 1997, acknowledged a “*dramatic increase in building activity, far in excess of other cities in the region.*” However this conclusion was diluted somewhat by the statement that whilst “*the reliance on increased land taxation played an important…role,*” it was emphasised *“…a shortage of commercial space was the primary driving force behind the expansion*.”

Other cities in PA, including Allentown, Aliquippa and, not least, the state capital Harrisburg, had also implemented the LVT system, but during the corresponding periods were unable (says Kane) to claim such dramatic upturns in property development activity. The Oates & Schwab study implies that the LVT contribution to Pittsburgh's prosperity was "*supporting*" and "*indirect*" *"…by enabling the city to avoid rate increases in other taxes that could have impeded development*." Pittsburgh's "*balancing of the books*" did not need to be achieved by LVT: money could have been raised by increasing other taxes, such as sales taxes, workers privilege taxes etc. The study "*did not support some of the more extravagant claims that land-tax proponents have made for the role of the tax in stimulating economic activity*" (Oates & Schwab, 1997).

The split-rate system in Pittsburgh appears to have failed to provide the necessary revenue for the city. Alleged shortcomings in the recent revaluation exercise for Allegheny county have meant that some households within the city would have suffered a four-fold increase in their property tax liability overnight—with no transitional relief available! This would lower property values—thereby deterring property developers from proceeding with planned schemes. The net result, therefore, would be a slow-down in urban renewal. With falling property values, people who might have been considering moving back to Pittsburgh will find it harder to raise the revenue to purchase properties there, because lenders will be more cautious. Cash purchasers may well reap the benefits in the short term but the long-term effect can only be to depress values.

However it is invariably the land owner/developer who reaps the benefits from increases in land values arising often with little or no direct influence from themselves. So it should be they who contribute to the economy as a return for the financial advantage they enjoy. It is further asserted by many that recent initiatives to incentivise development have not only subsidised already wealthy developers, but those same developers have then enjoyed the windfall gains arising from these developments, without their making a tangible financial contribution back to the economy. But to the vast majority of those engaged in the land and property development business, this is the essence of capitalism. It will take more than a change in the system of raising local property taxes to change the underlying principles behind the process of property development.

Implementing LVT in Britain will give rise to conflicts with aspects of the existing property tax system. In particular, empty industrial and storage properties currently enjoy exemption from payment of business rates, so that unless the system of LVT is introduced throughout the whole of the UK, it will lead to migration of this type of development from pilot LVT areas to those areas remaining subject to the present UBR. In addition, if the tax is levied entirely on land values, owners of poorer quality properties located in areas that have enjoyed value growth over time, will be subject to increase liabilities which they may genuinely not be able to afford. The suburbs of London provide excellent examples of this wherein homeowners may have purchased properties 30 or more years ago and now be retired and the property be in a dated condition, but the value of the land upon which it is situated will have increased dramatically over that time. But that increase in value can only be realised if the property is sold, which involves hardship to owner-occupiers.

Major problems will also be encountered as a consequence of the land tenure system in Britain. In particular, LVT seeks to tax the **owner** of the land as opposed to the **occupier**. The problem arises in the many instances where the owner is not also the occupier i.e. in rented property. As the vast majority of leases do not provide for landlords passing on additional costs on to the tenant during the term of the lease, if LVT is implemented part way through the term, the landlord will be forced to bear the cost of the tax, and the tenant will benefit from the removal of the liability to pay business rates. This will create a two-tier property market, with tenants of pre-LVT leases being able to afford to pay higher rents as a consequence of the reduction in their occupational costs.

There is, therefore, no panacea for the disease of urban decay. A mixture of measures involving both encouragement and obligation is required.

Valuation and Tax Assessment

The key profession of valuer/assessor was represented on the Study Tour by Stephen Fay IRRV, who works in the Northern Ireland Valuation and Lands Department but contributed to this study in his private capacity. He had been following the debate on the merits of LVT and his Department had just decided to use computer assisted mass assessment (CAMA) for revaluation of residential property for the rating system in Northern Ireland. CAMA had made the Department more aware of US property taxation issues.

Fay acknowledged in his chapter for the Study Tour report that such a brief visit can only produce 'snap shot opinion.' Nevertheless his conclusions were fairly forthright, despite noting that the Tour was not so much designed to explore how land value assessment is done as to discover its effects and how it is administered. He made three general points before drawing his conclusions.

Organisation of Assessment

The UK benefits from having central direction of—and independence from local political interference in—its property assessment for taxation. PA's system of electing assessors or the people who appoint them compromises the integrity of their work. The devolved nature of the assessment organisation means that professional standards are hard to maintain, because there is no overall coordination of training, methods or careers.

Assessment Problems

The PA system (widespread in the US) for making capital market value assessment of all properties and also site value assessments would not transplant to the UK without severe problems. Firstly in the UK it is the rental value to the occupier that is assessed and there is insufficient evidence to support assessments of capital value for most nonresidential properties. Secondly there is paucity of evidence of site value for any kind of property. Given the already high level of appeals that UK assessments have, a change to capital or site value assessments would be unsupportable by the appeal system. The third serious issue is the difficulty of defining 'highest and best use' of sites, in the absence of a clear zoning system. Fourthly there are so many distorting factors in the UK property market that transaction prices cannot be used as a sufficiently robust basis for tax assessments.

The American solution to the problem of evidence appears to be to take a simple average percentage figure for site value as a proportion of overall property value. The results often seem to fly in the face of common sense and, from anecdotal evidence obtained in Pittsburgh, lead to a questioning of—or disbelief in—the whole site value assessment system.

Given the range and number of differences in law between the US and UK assessment systems, there are just too many potential practical problems that would face rating professionals in the UK for LVT to be considered seriously. These include:

1. Will the assessment reflect the existing use of the site or its potential use?
2. Are all land holdings to be assessed?
3. Will farmland be assessed?
4. Will land held by church bodies, charitable bodies or similar be assessed?
5. How will land for which future development is likely be assessed?
6. How will contaminated land be dealt with?
7. How will staged developments be dealt with?
8. How will institutional uses in areas of high land values be dealt with?
9. How will sites which currently contain a listed (i.e. statutorily protected) building be dealt with?
10. Will assessments require the input of other professionals, such as planners, Highway Authority engineers, etc?

Taxing Ownership

Perhaps the most fundamental obstacle to the introduction of LVT in the UK is the difference in liability for the tax, with PA being typical of jurisdictions having property taxes levied on owners not occupiers. If LVT is to be an instrument of urban renewal, it must be levied on owners in order to have the necessary effect and stimulate development in accordance with highest and best use.

LVT advocates in Britain seem to be calling for a hybrid system, in which some tax on occupiers of buildings continues—at least for a while—with the new LVT running in parallel. This would require assessors to carry out two separate valuations and to maintain two separate registers: one for owners and one for occupiers. There must be substantial additional costs involved in this duplication and considerable prospect of public opposition and confusion in the face of increasing complexity. Other questions would arise, such as who has right of appeal against assessments and what degree of market distortion the new system might introduce.

There seems to be no example worldwide in recent history of a country that has changed from a system like the UK's to a system like PA's, let alone one that has gone on to introduce 'pure LVT.'

Conclusions

From the official valuer's perspective, the arguments and prospects for LVT in the UK appear bleak based on this brief visit to PA. The tax is a very minor part of the overall fiscal menu in almost every case and seems to continue as an anachronism simply because there is a tradition of producing site value assessments, which are often highly inaccurate. With the UK's property tax forming such a major part of local government revenues and with a highly centralised and professionalised system in place and broadly accepted by all concerned, it is hard to see why LVT should be transported in the form seen by the Study Tour.

Those who advocate LVT for Britain will need to produce overwhelming evidence of deficiencies in the current rating system plus advantages in other ways—such as urban renewal—for the new system. The Study Team's experience does not, in the opinion of its IRRV valuer, clearly and unequivocally establish that the claims made on behalf of LVT are correct, let alone sufficiently strong to warrant radical reform in this direction.

Appeals Process

Little was discussed about the appeals process during the PA Tour. There was no indication that those whom the UK Team met had any serious complaints about the appeals process there. However there was an enormous issue over appeals against land value assessments, in particular in Pittsburgh, at the time of the visit, proving that appeals are the best barometer of the assessment system if not of the property tax system as a whole.

John Pincham, Study Tour member serving on Surrey County Valuation Tribunal, felt that he could not contribute sufficient of value to this report. The PA Taxation Manual (DCED, 1999), obtained from the Governor's Center for Local Government Services in Harrisburg, is the source of this summary of the principal features of the PA Appeals system and the points distinguishing it from that in the UK.

Pennsylvania Law and Practice

PA has extensive laws on property assessment appeals, each class of municipality having slightly different laws. Any property owner or occupier (as an 'interested party') can appeal the assessment to a Board of Assessment Appeals, either if they think the value was set too high or if the ratio applied (land to buildings) is not uniform. Even jurisdictions that do not have a split-rate tax value land separately and this valuation can be used for tax purposes, e.g. exemptions for income tax based on value of improvements.

Before an appeal is looked at by the Board there will normally be an informal administrative check, to look for mathematical and other possible errors. If these are found, the county assessment office must inform the tax authorities, which are required to make refunds of up to six years' overpaid tax.

Boards are based on the counties, as are assessment systems. They must determine the current market value of the property and compare it to assessed value using a State-established formula that takes account of time since last assessment.

The Board's decision may be appealed to the county's court of common pleas, and then on to State Appeals Courts: five stages altogether. An appeal can be used merely to delay payment, for cash flow purposes. However the taxpayer may be required to pay the full tax, subject to outcome of the appeal process. The onus of proof is upon the appellant taxpayer to show that the assessment is unsound, based upon market and other evidence. Raw sales prices are not regarded as reliable substitute for fair market values but only an indication. Sales data must be adjusted to reflect the land use pattern of the county (assessment jurisdiction) and local areas.

Legal actions have on several occasions attempted to show that a county's entire assessment scheme is unsound, until recently always failing. Courts have considered that the appeals process provides taxpayers with a plain, adequate and complete course of remedy for poor assessments. However there have recently been some cases where the courts upheld complaints that assessments have been conducted on a piecemeal basis, leading to inequities so pervasive that the appeals process would be unable to provide relief for the aggrieved. These have forced long overdue countywide reassessments, as in Allegheny (which includes Pittsburgh).

It does seem that appeals against land value assessment comprise a high proportion of total appeals. This is to be expected, since it is relatively easy to determine building values on an individual basis, not so easy to arrive at land values when reassessments are infrequent. It is notable that the reverse situation exists in Denmark, where reassessment is continuous: it is the assessment of building values that accounts for most appeals, since land values can be accounted for more readily within a mathematical model that is continuously updated.

There is no evidence that GIS is used within the assessment or appeals systems in PA. Again this contrasts with Denmark, where land value maps were publicly available until more frequent and accurate reassessments made the authorities consider them redundant. They enable taxpayers to see more easily how their assessments compare with those of neighbours.

Before judging whether LVT *per se* helps to reduce the volume or cost of appeals, much more data needs to be collected from a variety of jurisdictions—with or without LVT—to see if any pattern emerges. All that can be said as a result of the Study Team's experience is that failure to adequately maintain land value assessments will undermine the viability of LVT at least as much as of other property tax systems. Pittsburgh shows that where there is a split-rate (land taxed higher than buildings) appeals will focus on the land value 'issue,' whether or not LVT is to blame. Since land values change over time and geographically far more than values of structures, lack of a means of visualising those changes has far more impact on land value appeal rates than on building value appeal rates.

No matter how good the appeals system it will not overcome a defective assessment system. And the longer any assessment system is allowed to remain defective the worse will be the immediate consequences, in terms of appeal rates, when there is a reassessment. Having a higher rate of tax on land values merely exaggerates the problems that faulty assessments cause: LVT itself is not the cause of the appeals against assessments of land values, rather it is the victim.

Comparison with Britain

The level of appeals against UBR assessments in Britain is unacceptably high, a fact that even the Valuation Office Agency admits (VOA, 2000). Some 75% of business rate assessments are appealed, although the vast majority never reach the valuation tribunals. This is almost certainly a far higher proportion than in PA, partly because the UK tax is much higher so that errors are magnified in financial accounts.

It is impossible to say, from the brief encounter that British property experts had with PA, whether LVT would reduce or increase the level or cost of appeals. Almost certainly it is more important to involve taxpayers in the processes that lead to assessments for the present rating system, to see if this reduces appeal levels. It may be that more use of GIS within the present system, possibly incorporating attempts to derive a way to map underlying land values, could significantly improve the acceptability of assessments generally.

With the appeals system in England & Wales costing significantly more each year than the five-yearly national reassessments, and with 'erosion' of the tax base costing twenty times the cost of the appeals themselves, it has to be worth looking at every possible way of improving acceptability and quality of assessments. Whether or not to move towards LVT is a separate issue. The evidence from Denmark's appeal rates in particular (although tax rates there are much lower than Britain) is that LVT can be made more acceptable than property taxation in general.

Economic Effects

Peter Reilly is an economics teacher in a high school near Liverpool and is also a long-standing supporter of LVT. He expected to find and report conclusive evidence of positive economic effects of the split-rate property tax in PA. He was somewhat disappointed: the evidence is not glaringly obvious, although it can be presented as being conclusive. From his narrative of what the Study Team saw and heard, supplemented by research he has conducted of published literature, the following salient points are most relevant:

Philadelphia's City Controller had found, using regression analysis on various economic and employment trends in the city, that as tax rates on wages and profits rose above 8.3%, total tax revenues declined. Differential rates between Philadelphia and its surrounding areas have driven people and jobs away from a city with the highest tax liability in the US. Tax abatements on new construction have had a modest effect in encouraging inward investment but cannot counterbalance the longer-term pervasive effects of taxing labour and enterprise. Furthermore the 'carrot' of tax abatement needs to be accompanied by the 'stick' of higher taxes on land values than buildings: a permanent encouragement to optimise land use.

Harrisburg had clearly experienced a construction boom for some years past, with compact high-rise development in its central areas. The story of its change to split-rate taxes and consequent economic recovery has been recounted above (under Planning).

Pittsburgh has maintained lower housing costs and buoyancy in numbers of building permits throughout years when most of America suffered slumps and booms. It has a more compact development pattern than other cities visited (except Harrisburg) and far fewer vacant plots. There was almost no urban blight evident near the city centre. Reilly drew attention to a conclusion of the report by economists Wallace Oates and Robert Schwab, which compared Pittsburgh to 14 other similar cities during the period after it increased the tax differential to 4:1 and more:

> *"Pittsburgh had a 70.4% increase in building permits while the 15 city average decreased by 14.4% of building permits issued. These findings about Pittsburgh's far superior showing are especially remarkable when it is recalled that this city's traditional basic industry—steel—was undergoing a severe crisis throughout the latter decade."* (Oates & Schwab, 1997)

Aliquippa's modest success with split-rate consists of at least being able to finance its expenditures through times of severe recession and eroding tax base by concentrating the tax burden away from buildings and onto land, with no harmful effects. Clearly LVT cannot work wonders in a town of 10,000 where other factors are against it.

Reilly felt that the Study Tour had seen enough to be able to endorse what a Committee of the US Congress had said of LVT in recommending it twenty years ago, before most of the cities visited had introduced split-rate. The Committee on Banking, Finance and Urban Affairs of the 96th Congress listed six attributes of the tax, which it said assures that economic benefits of development are broadly shared:

1. LVT is, in essence, a type of user fee for access to limited natural resources.
2. It harnesses market incentives and individual initiative to achieve major policy objectives.
3. It effectively narrows the rich/poor gap without destroying incentives. For those who do pay more, it is not significantly more and they tend to be wealthier homeowners who can better afford to pay a little more.
4. It thereby reduces the need for social services provided via government spending.
5. It encourages home improvements and affordable housing. In PA 85% of homeowners pay less with this policy than they do with the traditional flat-rate approach.
6. It has led to more construction, development and improvements to property at no expense to the taxpayer.

Business Attitudes to Property Tax

Margaret de Wolf came to the subject of LVT in 2000, when the Forum of Private Business (FPB) was asked to assist with this Fellowship study by mailing a selection of its 25,000 members with a survey on attitudes to property taxes. Ms de Wolf is a qualified business administrator and lobbyist for small businesses, who has been a member of various Government consultative bodies on the environment. She sees LVT as having potential for alleviating much of the tax burden on FPB's members and was looking for evidence in PA that business had benefited from the tax shift.

In her contribution to the Study Team's report, she emphasised the regressive nature of the current property-based Uniform Business Rate (UBR), which absorbs ten times as big a proportion of turnover and profit from businesses grossing under £50,000 turnover than from businesses worth over £1,000 million. She also stressed the complexities of the UBR administration and the problems which infrequent reassessments present to business occupiers. She strongly supports the need for thorough research into LVT, as recommended by the Urban Task Force (UTF) report (Rogers et al, 1999).

She was struck by the diversity of tax regimes in the US and the numbers of different tax returns that businesses there have to file, some of them quite distinct between one city and another in a single state. She was particularly interested in the Pittsburgh Downtown Partnership (PDP) but was disappointed not to have had time to discuss it with owners of smaller businesses. She was concerned that a Partnership that focuses on properties and owners, rather than occupiers and businesses, might neglect the interests of her members. PDP's Board of 58 people and Executive of only twelve meet alternate months to decide matters of concern to over 2,500 businesses. Only about 450 people (75% of property owners) can agree to the rules of a BID that could have profound effects on those businesses. This issue is highly topical in the UK, which is looking closely at BIDs (see below).

Unless the representatives of businesses on the BID Board are very effective, it is suggested that most tenants would not feel involved. Bearing in mind that occupiers are local taxpayers in the UK (albeit not necessarily local voters) the focus there would be towards businesses. It would be interesting to find out how UK "absent owners" would be encouraged to buy in to this type of venture. It is also difficult to compare a highly developed commercial centre, as Pittsburgh appeared to be, with some of the depressed town centres in the UK.

The underlying question must be whether urban regeneration and town centre improvement require the same treatment. Urban decay has been caused by slum clearance that has not been redeveloped, areas that are so depressed and depressing that they require replacing and, in some cases, areas that have not been developed since World War II. Town centres have ceased to be viable for other reasons: the advent of out-of-town and edge-of-town developments. Properties became vacant and to avoid squatters, vandals or looting, UK local authorities allowed charity shops to use the premises with reduced or no rent and with 80% Mandatory Rates Relief. This unfair competition often proved the death knell for the failing small business and yet another property became vacant.

In the US, the City Controller (or council) is ultimately the owner of property and has the right of Compulsory Purchase but there is automatic compensation. There is greater reluctance on the part of UK authorities to use 'eminent domain' powers, less power generally in the hands of councils and compensation is subject to great dispute and legal cost.

Supplements to the existing business rates or payment for Town Improvement Zones (TIZs) or Business Improvement Districts (BIDs), whilst excellent in theory, are totally impractical in reality. A failing business may want the area improved, may want the shop fronts painted but the business owner has no cash available for such luxuries; survival is the only feasible aim. It is essential, therefore, that, in very depressed areas, funding is obtained from a source other than the business.

The Supplementary Rate that was proposed in the 2000 Green Paper "Modernising Local Government Finance" (DETR 2000a) has been discounted and it would appear that the Department of Transport, Local Government and the Regions (DTLR) will be recommending BIDs.[2] It is essential that any LVT pilot considered in the UK is given considerable thought and involves all relevant players to ensure that the plans offer diversity and suit the area and it is essential that any partnership formed remains nonpolitical. Its terms of reference must be clear and transparent and a clear decision made regarding the aims and the beneficiaries.

Before the idea that BID partnerships should be funded on a **voluntary** basis by property owners even appeared in the DTLR 2001 White Paper, Ms de Wolf was reflecting the common view that it ought not to be given credence: "any more than a suggestion that taxes generally should be voluntary!" The basis of taxation is surely not just that payment should be according to need (or ability to pay) but that all beneficiaries of tax expenditure ought to pay towards the benefits they receive. In the case of business taxes and BIDs, all landowners and all business occupiers receive a benefit. Owners should therefore no more be allowed to opt out of payment than occupiers.

It is suggested that, until the tax exemption on empty properties and vacant land is removed, there will be little or no incentive for development. In the US, nobody expects tax exemption for derelict or empty property. The debate there is about whether the tax rate on such properties should be on land value (reflecting potential use) or total property value, which for a derelict site may be as a used car lot but is at least something.

All exemptions (total or partial) from UBR have to be made up by extra tax from occupiers of business premises. This is a perverse subsidy of idleness (of land, buildings and their owners) by the business community. It also adds to the blight of commercial areas in towns and cities. Before LVT is even considered in the UK, these exemptions must be removed. The UK property tax is unusual in being directed at occupiers rather than owners. It may be time to introduce a property tax on owners like that in the US, either partly or wholly to relieve the tax on business occupiers.

In the UK, it has also been suggested that the tax base should be changed to "Green" or Environmental taxes. At present, the "goods"—business success, property improvement—rather the “bads” attract taxation; it is suggested that a true “Polluter Pays” system would not only help achieve the emissions controls that are planned but would revitalise the country. The Waste Hierarchy—Reduce, Reuse, Recycle—would become part of everyone’s lifestyle and establish the difference between private wealth (personal achievement and collective labour) and common wealth (provided by nature). It would lead to a real price being placed on items with the cost to the environment being incorporated—internalise the externalities!

At present, environmental taxes are extra taxes and the offsetting reductions in other taxes are minimal and not emphasised when selling the idea of ‘eco-taxes’ to the voters. LVT could be seen as an important form of environmental tax and an important element in a Tax Shift from ‘goods’ to ‘bads.’

It is essential that any LVT pilot in the UK learns by the mistakes—and successes—of schemes in other parts of the world including the US and Denmark to ensure that it is realistic and effective. The evidence of the Study Tour of PA was inconclusive. Whilst we found no business groups who actively opposed the split-rate or felt it had done any harm, we certainly found nobody who believed that, on its own, it had made a crucial difference to their business or their city. We were told that Pittsburgh, Harrisburg and Allentown were all more prosperous as a result of the Smart Tax than they would otherwise have been. But many other policies were mentioned that could have contributed to business prosperity and dereliction has not been destroyed.

There is nothing to indicate that LVT could not work, as the theory claims, in the UK. But other perverse aspects of UBR need to be dealt with first, which will do much to restore health to commercial districts. The relationships between land owners, business occupiers, local councils and central government over the structure and management of property taxes require urgent attention. A small number of LVT pilots should help establish a way forward, not only for the Smart Tax but for many struggling local business communities in the twenty-first century.

Working with Civic Groups

David Triggs is a volunteer tutor in economics at the School of Economic Science (SES) in London and a chartered engineer with much experience of working with community groups on projects such as water supply and sewage treatment. He came on the Study Tour to find out what part (if any) the engagement of civic society in the issues surrounding tax shifting had played in the PA cities visited.

He found little evidence, apart from in Philadelphia, that LVT activists had spent much time outside city halls. His chapter in the Study Team’s draft report (Vickers, 2002) is therefore mainly his own theory of how the various interest groups might line up and be mobilised in support of LVT, inspired by what he saw and heard in PA. It has value as a stand-alone essay that LVT campaigners in the UK might use and addresses the fact that the key ‘resource’ needed to establish and see through a pilot of LVT is a strategy that mobilises the free support of local civic groups effectively.

Expanding on Triggs' chapter deserves a whole study in itself, looking at the parallels between what is happening in Philadelphia (and, to a lesser extent, Pittsburgh in seeking to re-establish split-rate there) and what would need to happen in, say, Liverpool. In just seven years, PDP seems to have taken 'ownership' of the policy of LVT with all interest groups working together to retain a policy that works well for them.

Winners and Losers

Triggs argues that it ought to be possible to draw up lists of those interest groups likely to favour and/or to oppose LVT. The table below is based on his lists.

Winners	**Losers**
builders and property developers	landlords
building suppliers and retailers of 'white goods'	property speculators
architects and other construction professionals, including those involved with public infrastructure	pensioners and others dependent on 'unearned income' for future security
environmental pressure groups, conservation groups and their advisers	accountants, who earn substantial sums from helping people reduce their other taxes
first-time home buyers	owner occupiers with no mortgage and most of their equity in real estate
public transport operators and users	money lenders, banks and mortgage companies
all salaried employees and entrepreneurs	those holding 'rights' in real property of all kinds that they currently do not pay for
tenants, especially young people living in rented accommodation	

Some of these list entries are debatable and the list could be added to or refined. More work is required in the UK to clarify the likely effects and consequences of LVT before more confident predictions could be made as to 'winners and losers' from the tax shift. However it is impossible to know the full effects in advance since there are no sufficiently comparable models of human behaviour under tax shift circumstances. For this reason, a small pilot should be undertaken as soon as possible and time not wasted on debating hypothetical results.

The uncertainty that exists in the absence of a homegrown 'laboratory' or local pilot places advocates of LVT under a disadvantage of the perception 'better the devil you know'! The counter of course is that it is clear that 'the devil we know' is now clearly 'not sustainable.'

Approach to Groups is Through Individuals

The hearts and minds of individual people have to be greatly moved to support change. If this is not achieved 'group support' becomes impossible. Groups however do provide a ready made means by which individuals can be approached and influenced and the influence of individuals may in turn be much enlarged through the power of their group.

In this context however all individuals are not equal. Most relevant are the 'movers and shakers' or 'opinion formers' within groups. Usually, but possibly not invariably, these will be the leaders (or leaders in waiting). They thus need to be identified and a strategy for approach developed. Lunch meetings, hospitality invitations to—and participation in—relevant conferences, symposia and workshops are possible means by which such individuals may be identified and approached. Articles in the press and media and targeted professional journals might also be useful in establishing currency and credibility for the ideas. Most groups will have a programme of meetings and often the meetings secretary or convenor will welcome agenda items for discussion and visiting speakers who are able to relate to the group's interests.

These provide a range of possibilities for initiatives and more work is required to identify the resource requirements and likely effectiveness for such approaches. Further work is also required to prioritise the list of civic groups identified above since it is unlikely that available resources will enable all to be approached—at least in the first instance.

Relating to New Labour's Agenda

Carol Wilcox is a Labour Party and trade union activist who has been aware of LVT for over twenty years but has only recently started to campaign for it. She is on the Executive of the Labour Land Campaign (LLC), which is active within the governing Labour Party seeking legislation that would result in more of the economic rent from land being collected for the benefit of communities. When it was formed in 1982, LLC considered that land nationalisation was the best way to achieve its aim. Today most members agree that land nationalisation is neither necessary nor a useful principle to uphold in 'New Labour,' which abandoned its famous 'Clause Four' in 1995. Since New Labour came to power in 1997, British LVT supporters have found LLC to be in a position without precedent for over 80 years—of having access to Government ministers as Party colleagues.

Wilcox expected her participation in the Study Tour to provide her with opportunities to gain first hand experience of LVT that she could share with Government and Party colleagues on her return. In this respect she was satisfied that her presence in PA gained her—and HGF, of which she is now a Director—credibility in presenting arguments for LVT to be adopted in the UK. In her chapter for the Study Team's report she offered a cogent summary of her personal impressions of the similarities and differences in centre-left politics and its treatment (actual and potential) of the land issue today in the US and UK.

She was most struck by the presentation from Philadelphia Controller, Jonathan Saidel. Although a city official, he is also an elected politician and a Democrat. The personal vision he expressed for ‘the City of Brotherly Love,’ with its concern for the poor, disadvantaged and ethnic minorities, would she said “*warm the hearts of any social democrat in Britain*.” Of his decision to recruit a Swiss LVT expert in order to drive forward the land tax reform, she said “*it reminded me of London Mayor Livingstone’s recruitment of American expert, Bob Kiley, to run the London Underground*.”

Her impression was that income taxes are less popular with centre left politicians in the US than in Britain, where both Labour and Liberal Democrat grassroot supporters generally favour higher income taxes, because they are thought to be more progressive than consumption taxes. However the New Labour government continues with the former Conservative government’s strategy of reducing direct—and increasing indirect—taxation which, whilst it may not be good socialism, is at least economically rational.

She detected a similar political alignment in the two countries in respect of environmental issues. The centre left regimes seem generally more inclined than the right to make concessions to environmental concerns, whilst not doing nearly enough to satisfy the environmentalists. The American Greens would appear to have even less sway than the Greens in Britain.

Local political organisation is so different in the US that comparisons with UK politics are difficult to make. Although party politics dominate at least the higher levels of local government in the UK, their powers are so severely curtailed by central government that the differences in actual outcomes are minimal, whether control is exercised by Conservative, Liberal Democrat, Labour or no one party. Differences in policy between parties—let alone within them—are often hard to distinguish, because the discretion of local government to act other than how it is told to by Whitehall is so limited. In the US, the powers of local politicians are so great that there can be fierce local differences over policy even among Democrats, as in Philadelphia, without apparently any fear of suffering electoral losses to the Republicans as a result.

Whilst envying the power of PA’s municipalities to adopt split-rate, it is gratifying to realise that many of the problems which they face could be avoided here, mostly because of the control exercised by central over local government finances. For instance: politically motivated delays in reassessments, such as have caused antipathy to the tax in Allegheny County; the lack of proper independent monitoring of the effectiveness of the tax; the confusing and inefficient mix of taxation subjects available to their municipalities. All these may be presented to the British Treasury as proof of a certain superiority of our system of control over local taxation. However the absence of ‘capping’ on locally raised revenues and the ability to borrow for capital investment that the US allows local authorities show that our Treasury is far too cautious and controlling.

Authorities on both sides of the Atlantic are far too willing to resort to subsidies and tax holidays to stimulate economic activity, despite the distortions and inconsistencies which this policy engenders. It was therefore pleasing to hear firsthand from the PA Governor’s adviser about the results of Clairton‘s persistence with LVT despite Pittsburgh dropping the tax. Campaigners can make use of this good example to demonstrate how the taxation of vacant and under-developed sites can bring positive results.

As a result of the Study Tour, Ms Wilcox has become convinced that a cautious approach to LVT is essential in Britain. One or more local pilots in areas with severe problems of urban decay, concentrating on replacing UBR with LVT and perhaps ignoring residential property for the time being, should be presented as a low risk strategy to New Labour. It could appeal to radicals unhappy with the Party's rightward drift, yet cost little in terms of central control or expenditure. She is much more confident that such a strategy is viable within her Party, because she has seen how its new constituents, such as business and environmentalists, not only need not be harmed but could be positively attracted to the idea.

Reconciling Differing Views of Tour Members

General

People with widely different professional backgrounds and levels of prior knowledge of LVT were bound come to different views on the subject after such a short Tour. Furthermore the purpose of the Tour was not to achieve consensus among participants about a course of action for UK. It was merely to see what lessons could be learned from the experiences of PA cities by a short initial visit, during which the UK participants would also learn much from one another. Two Tour members have since returned to the US and several have been encouraged to study and learn more about LVT. Views of Tour members are still changing in some respects.

However some attempt at reconciling differences in opinion is required in this report if the overall purpose of the Fellowship is to be achieved and if the opinions of all Tour participants are to be accorded just consideration. Left as they stand, preceding sections in some respects will leave readers confused.

In order to give a structure to the analysis, the same headings are used to group together issues as were used in the original brainstorming meeting in Jan 2001. Various source documents are referred to in seeking evidence to support this author's views.

Planning

Harm to planning policy or land use

Several Tour members expressed surprise that little or no evidence was seen of any connection between land management (planning) and land taxation systems. Some concluded that LVT cannot have the benefits that its supporters claim and might even cause harm to planning policy. It must be remembered that the level of LVT in all cities visited, as a proportion of land rent obtainable to owners, is quite small, also that when the property tax levied by school districts and counties is added to split-rate city tax the ratio on land: improvements is nowhere more than 2:1. Therefore the effects cannot be expected to be highly visible, especially since there is no explicit statutory requirement to link planning and property taxation policies or to monitor the impact of the split-rate.

A recent paper by a researcher in Germany (Josten, 2001) reported on analysis of municipalities in Australia that have LVT alongside those that don't, commenting: *"It is very difficult to ascertain whether land value rating influences land use in a positive way."* Nevertheless he certainly found no evidence that the opposite was the case: LVT does no harm to planning and land use. He listed many 'expected impacts' of LVT which are familiar from the literature and all positive. Jostens concludes that the level of tax in Australia is so low (average 0.75% of capital value) that any effects are obscured by other factors. He also notes that Australia has extensive exemptions from LVT.

The onus of proof would seem to be on those who claim that actual harm would be done by LVT to British planning policy or to the environment to produce the evidence—even a coherent logical theory would be useful. There is no known jurisdiction that has introduced LVT where the policy has been shown to increase dereliction and planning blight. Granted that LVT coexists with a wide variety of planning laws but UK does not seem exceptional.

Plan-led Valuations

One or two colleagues on the Tour, judging by their comments in the draft report, may not have understood that valuations for LVT are 'plan led.' The concept of 'highest and best use' is generally accepted in the US to need qualification as the basis for land valuation: land must be physically and legally capable of being developed for that use (IAAO, 1990). As to whether particular models used in mass assessment by firms such as Sabre Systems take account of zoning, it can only be presumed that valuation of land does indeed follow zoning and the MPC, as adopted locally.

In Britain there would be a presumption that each site continues to be used as it currently is, unless planning permission for higher value use was extant and could be exercised by the owner without physical or legal impediment. Local and Unitary Development Plans would provide the next best guidance to valuers. For sites where some doubt exists as to 'highest and best' use, valuers or owners could seek from the planning authority a Certificate of Development Potential (CDP), which would have no purpose other than to provide a reasonable basis for tax assessment (Hudson,1975 and Vickers, 2000a). The CDP idea has not been called into question.

One-off Land Tax is Different

There is confusion between on the one hand land taxes that are applied to transactions that form part of the planning and development process, and on the other hand taxes that are applied annually like rates. The ethical basis may be the same in that they aim to recover unearned land values for the community. The incidence and effects are very different, both in theory and in practice. The former type (e.g. Betterment Levy, Capital Gains Tax, Stamp Duty and Development Land Tax) will deter the act (sale, development, planning application or any form of site improvement) that triggers the increased tax. The latter will give an incentive to site owners to convert 'theoretical' value (upon which tax assessment is based) into something that can earn the revenue needed to pay the tax. For that reason LVT is often called Incentive Tax.

Britain has only ever experienced one-off land taxes, which did indeed bring development to a near halt twice since World War II. The effect of LVT would be quite different. LVT is seen by its supporters as enabling planning obligations (an existing form of land tax that is under review) to be phased out.

<u>Exemptions and distortions must end</u>

There is no dispute with those (e.g. Fay and Kane here) who say that other reforms to the property tax could largely achieve the same planning benefits. In particular, as the UTF recognised (Rogers 1999) exemptions from UBR for vacant sites and certain empty commercial buildings must end. Where there is active demand for a type of use, it distorts local land use to have dereliction of some sites encouraged by an 'uneven playing field' in tax liability. Furthermore it artificially restricts the supply side of the property market.

Removal of exemptions will have little effect on areas of low demand for land if LVT remains merely a local tax. The tax will not however make dereliction worse. It would be perverse indeed if LVT were to be introduced, even on a pilot basis in just a few local authorities in Britain, if there were not first of all a nationwide removal of these obligatory exemptions. Similarly the 'sloping pitch' of Value Added Tax (VAT) should first be leveled: it is absurd to tax renovation works more highly than new construction.

LVT is not the only tax reform that could help make the British planning system work better: it is merely the most comprehensive and effective. There was unanimity among the Tour Party that property taxes should be considered as an important planning policy tool-kit and that Britain's present tax system acts perversely. The skepticism of the minority of our group arose in large part because of the paucity of visual evidence in PA, also from an inadequate understanding of the theory behind LVT and its difference from other taxes that do indeed capture land values to an extent.

If there are problems with valuation in some PA cities, that is much less likely to be caused by failures in zoning than by failures in valuation. We acknowledge that in the UK the situation would be different because of the absence of comprehensive zoning. However we cannot see that our planning system is necessarily an obstacle to effective LVT in Britain: at worst it will require us to be innovative in its implementation, hence the need for carefully designed pilots; at best, it could make site value assessments easier than in the US.

Valuation

<u>Paucity of Market Evidence for Assessments</u>

There was understandable concern by UK valuers from the outset that market transactions would be insufficient in number generally—and particularly in certain geographic areas and sectors of the property market—to enable them to produce adequate assessments. The recent experience of Pittsburgh seemed to confirm this judgment.

However two factors need to be borne in mind before valuers dismiss LVT as a practical option for the UK. Firstly there is on the whole no less market activity in this country than in any other developed country, therefore if the argument stands it would rule out LVT everywhere. Yet there are several countries that use LVT with no apparent problem on this account. Secondly it is known throughout the North American assessment profession that PA has one of poorest standards of property assessment: we should not base a judgment about prospects in the UK upon evidence from a state where standards are notoriously low.

Even in PA the best standards of assessment are defendable on appeal. The problem seems to be less that the theory underlying separate land value assessments is unsound than that for various reasons—most of which would not apply in the UK—the actual practice is often lax. Political interference with the frequency and conduct of assessments seems to be rife. This happens with LVT in other countries (e.g. Taiwan) but it should be seen as a criticism of the local legal system and/or standards of the valuation profession, not of LVT in theory or in general practice (Tsai 2001). Such interference can happen in any property tax system: the Republic of Ireland has failed to revalue for tax for a nearly a century. But in UK the probity and training of rating assessors is probably as good as anywhere.

Some of the reasons for poor quality of market evidence in the UK are the consequence of defects in the market which LVT would help to remove. The existing property taxes are themselves a factor in dampening market activity, because they reward dereliction. There is a 'chicken-and-egg' situation here: LVT would of itself increase the volume of transactions in property, especially in the very areas where it is now stagnant because of the extent of land held out of use. The artificialities inherent in a land market that encourages land holding rather than land sales and development make many prices higher than they otherwise would be—and many lower. When these prices are the basis of tax assessments in a particular sector or area, there is bound to be a problem for assessors. It is perverse to resist a measure such as LVT that would actually help free the market and lead to more and better evidence for assessors. Rather than being a problem for valuers, LVT is part of the solution!

<u>Rule of thumb not in any rulebook!</u>

A mistaken impression was given by simplistic press reports read during the Tour that land is assessed merely as a set proportion of gross property value. This was denied both during and after the Tour by our hosts.

Just because there is an average ratio of land value to building value (or to gross property value) does not mean that competent local assessors generally fall back on that average figure as a basis for their professional assessments of a site's value. Clearly there will always be an average figure and it will often be used as a guide: significant deviations from the average have to be justified. Lazy or incompetent assessors may indeed base land value on a crude rule-of-thumb average, especially when (as is the case in the US as a whole) there is no difference between the tax rate on buildings and that on land. It is significant that the firm which was hurriedly first brought in to replace local assessors in Pittsburgh apparently employed nobody there who had experience of split-rate tax.

Best practice in the US follows a variety of proven methods for assessing land where it is taxed higher than buildings, notably the Building Residual method (Gwartney, 1999). These methods may not currently be well used in Britain but that need be no barrier to LVT here, as the RICS has admitted, although undoubtedly LVT would involve rating valuers in learning new skills and writing a new rule book.

Practical difficulties

Notwithstanding the fact that new skills would need to be learned, there is no evidence that on balance the rating profession would be over-stretched by LVT. The most comprehensive previous studies of LVT in Britain (Wilks, 1964 and 1974) concluded that valuing land alone would involve substantially less professional time than would the (then) system of general rating, which still applies in Northern Ireland. Josten (2001) also claims that the cost of reassessing land in Germany for LVT there (if it were introduced now) could be up to six times **less** than reassessing properties as a whole. This is unsurprising: for LVT there is no need to inspect individual properties and most assessments can be done from indirect evidence, such as maps and the Development Plan. Land valuation is also more amenable to computer-aided assessments: in Denmark the tax authorities achieved a six-fold increase in productivity of assessors during their computerisation twenty years ago.

Far from adopting split-rate in order to reduce the 'immense practical difficulties' claimed by Fay here, it is accepted that retaining the existing property tax system alongside LVT could increase the burden for valuers—**if** the split-rate was the end-state of reform. However the split-rate is seen by most of its supporters as a transition between the present system and a system with little or no tax on buildings.

A nationwide 'split' valuation to produce rating lists for site value alone and gross value for UBR separately (costing admittedly more than a normal 'flat' revaluation) would be conducted once only. Thereafter gross values would be allowed to 'mark time' so that discrepancies between current value and assessment for UBR, although increasing in absolute terms, gradually became less important in cash terms under the proposals for LVT implementation. It is the amount in the ratepayer's tax bill and not the percentage variance in rateable value which is what triggers most appeals. As LVT rates increased, in a revenue neutral situation UBR tax bill amounts would progressively reduce, making the valuations they were based on less important and less likely to be appealed. UBR would gradually 'waste out.' This is illustrated graphically in Appendix 3.

It is for this reason that the PA model of local property tax system autonomy might not be best for the UK. The problems for rating assessors will be great enough during the introduction of an entirely new method of valuation and its corresponding IT systems. It is unreasonable to expect the entire top-down culture of British bureaucracy to change at the same time in the Valuation Office Agency and other relevant institutions. Unless wholesale regionalisation in England is under way at the time, it is best to plan for a nationwide abandonment of UBR as a major source of local authority revenues in favour of LVT (albeit perhaps in stages). That way the rating profession can undergo a wholesale reform and not have to retain old skills while retraining in new ones.

The difference between this proposal and that of 'LVT idealists' (as Fay calls them) is that the latter would cease to levy any tax on buildings and transfer the whole tax burden onto land owners within a very few years. These idealists tend not to support the use of pilots and also favour the replacement of many other taxes by LVT as soon as possible, without seeming to give much attention to the transitional problems that a rapid reform would create. These issues are dealt with later.

It is recognised that there are problems in retaining two parallel valuation systems within rating in Britain for too long. The use of pilots to develop land valuation systems and train a cadre of experts, prior to a decision on nationwide implementation which it is expected would result in abandonment of the existing flat rating system, would greatly smooth the eventual nationwide transition process. The tax shift process could take much longer than the changeover of valuation systems (see Appendix 3).

<u>Capital versus rental</u>

The problem posed by Fay here (and many others elsewhere) is that open market evidence for bare land values is sparse and generally based on capital transfers. The theory of LVT and the practice of British rating is based on annual rental values. It is unsound to base rental values of sites that are overwhelmingly developed and not traded, upon market evidence that consists almost entirely of occupier rents. Furthermore the conversion from rental to capital values (or vice versa) depends on assumptions about interest rates and future returns on capital.

Most LVT regimes use capital values for assessments and therefore have a 'poundage' that is much lower than the British rating/UBR system.[3] In this respect they acknowledge that market evidence of property transactions is generally based on sales, not rents. These systems also levy the tax on owners, not occupiers. For owners, even in the commercial sector, it is not as difficult as some suggest to derive capital values from market rents. As one leading property valuation consultant says: "We do it every day for our investment clients."

For two more reasons, the task facing land tax assessors is becoming less difficult. Firstly the increasing pace of land registration in the UK makes it easier to identify the taxable entity and the taxpayer. Secondly the greater (although still inadequate) transparency of price paid for property and the expanding global property market are causing valuation standards and practices to converge towards a situation where true market price will generally prevail in all classes of property transaction. Although this author is not qualified to decide whether the basis of assessments should be capital or rental—nor to dismiss this issue as trivial—there are sufficient numbers of those who **are** qualified who do not think this is a fundamental barrier to LVT in Britain.

Problems are generic to property tax

There is increasing evidence that valuation problems are behind the rising level of appeals, which is a symptom of public dissatisfaction with the present business rating system. This may be because of the increased pace of economic change, hence a more rapid fluctuation and increasing variance between **actual** as opposed to assessed property values. Or it may be just an increased tendency to challenge authority and seek litigation. But the fact is that appeal levels have been soaring and the cost of valuation appeals is threatening to swamp the cost of maintaining valuation rolls.

This has led to calls for a fundamental review of the way in which property assessment for taxation is done, probably leading to greater use of computers and mass assessment. Studies elsewhere seem to show that where computers are used it can be easier to maintain land value assessments than to maintain gross property assessments, because changes in the former are more systematic than the latter.

It is not possible for anyone to say with confidence as a result of this Study Tour, without conducting much more research, that LVT would significantly increase **or** reduce UK appeal levels or the cost of the property assessment system overall. Research has to include pilots that actually involve real reform of the tax system: because of the complex economic effects of this particular tax reform, pilots would need to last between five and ten years and be very closely monitored. Without pilots, the 'leap in the dark' that Fay refers to would indeed be irresponsible. But not to undertake carefully designed pilots of LVT could be to deny the rating profession a secure future in the service of a more sustainable urban economy and hence be equally irresponsible.

The attitude of leading members of the valuation profession towards research through pilots of LVT will be a test of their true professionalism. No profession likes to have its practices overturned—not even politicians!—but as the main source of practical advice to politicians in these matters, no body is more in the spotlight on this subject than IRRV.

Tax Administration

The Tour party tended to get stuck in its debates on the issues around "Why do it?" and little was done to address our hosts on "How to do it?" In general, as Traynor acknowledges, Tour members were given no cause (outside of the Pittsburgh revaluation fiasco) to doubt that the split-rate or LVT is administratively feasible: "there are no underlying reasons why a system of LVT cannot operate." Creating a working LVT system is a challenge but not an insuperable one.

Appeal process and public housing tenants

Fay points to a major difference between how property tax is administered in PA and in UK when he asks: "Who would have the right of appeal against assessment?." In the US the tenant of a property is not a party to the tax, because it is the owner who is levied. Nevertheless all taxes everywhere (especially all property taxes) are paid out of 'economic rent' and rent charged by landlords to tenants can be affected by changes in tax paid by landlords. So it is right that, as was said subsequent to the visit, tenants in PA can appeal property tax assessments even though they do not pay the tax.

Traynor claims that it is unjust and would be unacceptable in the UK for tenants not to have to pay LVT. We did indeed find that public sector housing—and all public property—is exempt from property taxes. However this is not the case in other countries that have LVT and need not be the case in Britain. Even in the US, the situation is not as simple as it seems, because rents and property tax cannot be untangled from the whole issue of housing and welfare benefit. This is evident by reading the publications of IRRV, many of whose members are now wholly taken up with benefit calculation and payment rather than property valuation and rating.

In Britain we have a system that many countries find absurd. The state gives handouts to poor people with one hand (housing benefit, council tax benefit) partly in order to enable them to pay tax back into a different **state** hand—and/or (usually both) subsidised rent to a landlord with a **third** hand. In this way we utterly distort the market and make another part of the property tax system (valuation for property tax) a nonsense. The American system could be seen, in purely administrative terms, as a more sensible system because it reduces the bureaucracy.

Ownership register

Another difference between the UK and most other developed countries is our lack of a land register showing who owns land and would therefore be liable to pay LVT. Fay points out that "assessors will be required to maintain a register of owners of land." It is true that no such complete register exists yet, although Northern Ireland is committed to retrospective completion of its land register, specifically linked electronically to its valuation and mapping systems, by 2007. Scotland has a text-based Register that in its present form would not be at all easy to use for tax purposes.

It should not be the responsibility of assessors to maintain land registers. The wider public benefits of having a complete Register have been recognised by Parliament for well over 100 years, indeed a register of sorts was compiled in only three years in the 1870s covering the whole British Isles. Her Majesty's Land Registry (HMLR), which has been at the forefront of development of a National Land Information Service (NLIS), has recently sought to be tasked with completion of its register by 2010 (see next section for details). If Government were minded to introduce LVT, completion of a land register (showing legal and beneficial ownership) would not be a problem—indeed it would solve many other administrative problems faced by players in the property market and by the wider public.

Even without a Register, Connellan & Lichfield (2000) set out procedures whereby LVT bills would be initially served on occupiers of property. Occupiers would deduct an appropriate amount from the rent payed to their landlords and/or supply landlord details, by law, to the tax authorities for future reference. With unoccupied property, it might be necessary to make failure to pay LVT grounds for a lien on the vendor when selling—or compulsory purchase after due notice is served through public advertisement. Or as one of the PA Tour hosts said: "Stick a 'FOR SALE' notice up on a vacant site and you soon find who owns it!"

This would seem to solve the problem of collection of rates from empty properties under the current system, claimed by Traynor to exist in Scotland. He claims that Scotland's 50% empty rate has done nothing to stimulate regeneration "collection of the empty rate being difficult." Without knowing the nature of the difficulties or the details of relevant Scottish law or the source of any published research that this assertion may be based on, it can only be said that it flies in the face of common sense. It would appear that the law or the procedures derived from it in this case must be deficient if a clear incentive to occupy and use property is not working.

What is 'significant' revenue to justify the cost?

Fay explicitly (and others implicitly) imply that LVT has never raised sufficient revenue to justify the administrative effort of introducing and maintaining it: "there are no examples of a pure LVT system in operation that generates significant revenue." Presumably the 4.5-6% of total public revenue that UBR accounts for is sufficiently 'significant' to justify maintaining a system that costs £800 million (5%) of that revenue each year to operate.

Hong Kong raises around 40% of its revenue from a very unpure form of LVT; Australia raises some 10% at all three levels of government and several countries raise similar proportions from LVT that UK raises from UBR. In no case does the administration of LVT erode as high a proportion of the tax take as UBR costs the Government of the UK. There are many forms of LVT, just as there are many kinds of property tax. Property taxes are generally more efficient than other taxes, largely because they are non-evadable. LVT is more efficient than most property taxes, despite there being (as Fay rightly points out) no 'pure' form of LVT in existence. The purer the cheaper—but impure is good enough, it would seem from overseas experience, to pass the administrative test.

The better question is: "How much LVT needs to be collected at first to justify the initial **transition** cost?" This is the source of many arguments among those who support LVT. Many have underestimated the cost of reform in the past, whilst failing to realise that the real costs in recent years have been falling. It is possible that by widening the tax base and stimulating economic activity (perhaps, in anticipation, even before the tax bills apply) a significantly high rate of tax on vacant and underused sites could easily be cost-neutral. But without much more research, including pilots, we will never know.

Market Effects

The likely market effects have been alluded to in discussion already and the subject is inevitably entwined with planning and valuation issues. It is worth stating clearly that supporters of LVT are generally also supporters of free markets and believe that the tax deals with an inherent failure in the property market caused by the natural limits on supply of land: "They don't make it any more," as Mark Twain said. Although Fay and Kane refer to 'distortions' that LVT would cause, the fact is that even those experts who find the claims of its supporters hard to take agree that its effect is at worst neutral (Oates & Schwab, 1997). Assuming a given revenue requirement of any government, that means that the more LVT is collected the less need there is for other taxes which all agree **do** have harmful market effects (whatever their alleged social benefits). Examples of such taxes are income tax, taxes on investment in buildings and manufacturing capital and value added tax (VAT).

Another pejorative 'anti-market' word used by Kane is 'compulsion.' LVT does not compel any landowner to sell: it is not a totalitarian measure like nationalisation or compulsory purchase. In the sense that any tax that has been legislated for by Parliament must be paid, LVT is compulsory. But LVT involves no transfer of ownership, no compulsion to change use, no denial of possession, no removal of property rights or freedom to enjoy the privileges of title. LVT is merely an annual fee paid by the beneficial owner of these rights and title, based on an expert assessment of their value. The owner/taxpayer is free to enjoy the benefits of ownership to the full—or not. Like a season ticket to a football club, there is a market price for possession of the right to occupy limited space but no compulsion to attend. The owner can choose to keep the site vacant, to occupy it himself or to sell or sublet, providing the fee is paid for the right to have that choice.

The more free the market in land, the better LVT can work. The more LVT there is, the better the market in land works. The only type of regime in which LVT cannot work is a totalitarian one where there is total lack of information about land value and total lack of a market in land. It is land monopoly—state or private—that kills the land market and stifles economic progress. It is no accident that the regime which collects the most land value as public revenue is also held up as a model in free market economics: Hong Kong. Nor is in accidental that those countries with the most concentrated land ownership exhibit the most excessive disparities between rich and poor. Economic justice and free-market enterprise go together, provided that resource rent is recycled.

The 'Burden' on Developers

The belief that the 'additional burden' of LVT upon developers would deter them from undertaking investment (see Kane above) may stem from a misunderstanding. By those who understand it, LVT is **never** proposed as an **additional** tax: its introduction should (as it is by law in PA) always be **substitutional**—in place of other taxes. However it ought to come as no surprise that, based on bitter experience and in the absence of concrete legislative proposals to that effect, surveys of opinion (Vickers, 2000a and Reduce the Use, 2001) overwhelmingly show that people do not trust governments to use LVT this way. If LVT is **not** substitutional then it would not have the effects claimed by its supporters. Therefore what follows assumes that there is a roughly corresponding **reduction** in other taxes paid by developers, although the net effect will not always be neutral or reduced for individual developers. Clearly it would not be appropriate to end up with a net increase in tax on those who create jobs in construction and serve to put planning policy into effect.

Developers are of course often major landholders, because the present system obliges them to buy cheap, hold until values rise through the efforts of others, and then develop. In this respect they would be affected just like other landowners by introduction of LVT. But for every site held by a developer that fell in value (or incurred an annual tax for being held onto) there would be another site being offered for sale at reduced price by a landowner with a reduced tax burden attached to it. The proportion of assets of all major companies accounted for by land would fall. But this need not have a serious effect on the economy as a whole, indeed it is healthy because it releases capital tied up in land to be used in creative investment: in jobs, homes and improved public infrastructure. At the same time, it takes a destabilising factor out of the macro-economy: the tendency for rising prices in property (land) to feed on themselves unsustainably until confidence bursts like a bubble, leaving masses of people with negative equity.

What is 'business'?

Claiming that LVT would 'discourage the business activities of developers' (Kane) is a loose use of the word 'business.' All the evidence shows that that the only 'business' activity that is discouraged by LVT is land holding. LVT will change the nature of business for developers but should focus them more on their core activity of adding value to land by improving its utility to society and clients. It will also help change the culture of society—and commerce in particular—which Kane correctly says considers speculation as legitimate, whereas with a commodity like land in finite supply speculation is at best dysfunctional and contrary to the business of others. Arguably this 'business' activity of landowners, who thereby fail to allow land to be developed in accordance with the democratic wishes of the community as expressed in the UK through the Local or Unitary Plan, is tantamount to operating a false market in a natural monopoly. Whilst society is probably not ready to approve confiscatory penalties for such 'activity,' there seems to be good reason to help the market operate more freely by applying a charge (called LVT) to the mere holding of land for commercial gain.

Alleviation of other property taxes

In the debate about how to devise fiscal policies that support sustainable development, the point is often missed that whilst many other existing and proposed taxes do recover significant amounts of unearned land value, none has the same effect as LVT. Planning gain, stamp duty, capital gains tax, impact fees—all almost incidentally recover for the public purse some of what is rightfully public wealth. But they do so often randomly (based upon transaction prices that bear no relationship to market value—or upon planning authority whim) and with a patently inadequate effect on economic renewal in run-down areas. That was why the UTF recommended that many of these taxes should be alleviated in Urban Priority Areas. That is why some alleviation (e.g. scrapping Stamp Duty in such areas) has recently been announced by Government.

Kane favours 'carrot' rather than 'stick,' failing to understand that what is a tax break for some people or areas is a tax hike for someone or somewhere else! Moreover although some of this largesse to deprived areas does convert to physical regeneration, an enormous proportion is simply pocketed by landowners with no effect. It is only necessary to read ***Property Week***: every week the announcement of grants and Zone status to somewhere is signaled as a rise in land values before any demolition, let alone construction, has commenced. At the very least carrot and stick should go together: conditional upon government funding to pump-prime urban renewal should be introduction of LVT to recover in future years the sums invested by Treasury (taxpayer).

The same goes for private investment. If a developer invests in a property and thereby improves the land values of the surrounding sites, why should neighbouring owners not pay for the benefit? Under the present tax system, almost all the burdens fall on the developer, very little on the nondeveloper. This 'spill-over' phenomenon is recognised by enlightened developers, who support LVT.

These arguments were deployed to a limited extent by the Study Tour hosts but PA does not have the same kind of property transaction taxes that UK has. However what drive there is towards shifting tax off buildings and onto land comes from the same understanding. It is true that nobody in PA was claiming either that LVT was responsible for **all** the beneficial effects on cities we visited or that LVT always had any dramatic **visual** effect—or caused every suitable site to be developed. Other factors are always at play in a particular local economy but studies of PA cities have in every case shown that, when these other factors have been taken into account, there is a significant residual positive effect in Smart Tax cities. A 16% average sustained annual rise in construction levels for every 1% shift of taxes off buildings onto land can only be accounted for by the tax shift (Plassman & Tideman, 1999).

Politics and Implementation

One of the main purposes of the Tour was to find out how politicians and the public had been persuaded to introduce split-rate in the cities that have it and why it has failed to spread more rapidly. The Team wished to learn lessons from PA on how to engender and sustain the necessary political momentum for changing property tax in the UK. As with other topics, there were some disagreements about what was learned. But fundamentally all agreed that the political, cultural and economic differences between the two countries mean that there is not a great deal that can be learned from the US for the UK.

A Last Resort?

Although little glaring evidence was seen in Harrisburg or Allentown that Smart Tax had turned round either city's economy, it was said in both cities that it had been adopted largely because they were at the time 'basket cases' following closure of major factories. The same, the Team learned second-hand, was the case with other cities in PA that had adopted it. And in Philadelphia it is the city's dire loss of jobs and population that has driven some to look at LVT as the solution. Pittsburgh's longer history of LVT may mean that the local memory of why it was introduced has faded.

Kane appears to blame the setback in Pittsburgh on the tax structure itself, claiming that it proved incapable of raising the revenue to meet the city's needs. LVT supporters in Pittsburgh and elsewhere maintain, with more justification, that it was not the tax but the assessment system that failed. There were two reasons the assessments were flawed and neither had anything to do with the inability of LVT to raise revenue: the political interference in assessors' work had been going on for decades and the company that replaced local assessment officials had no experience of split-rate jurisdictions.

Keeping it up

The fear of those who support a more swift move to full LVT is that split-rate will become an end in itself, whereas it is a very dwarfish or immature form of Smart Tax proper. They fear that by leading politicians and voters to think that all they need is a minor shift in emphasis for one local property tax, once this is achieved campaigners will relax the pressure to entrench LVT. It is true that there was no evidence of a remotely effective campaign for full LVT in any split-rate cities. The reason that evidence of split-rate success was under whelming is that it **is** puny in its effect, compared to a more full-blooded LVT. It is hard to create a mass movement for change when spotting the evidence that LVT works requires a magnifying glass and/or a degree in statistics.

In the US, the Federal Constitution assigns real estate taxes to state and local governments, thereby killing debate about the merits of a national tax on land. There are grounds for thinking that, in British conditions (where we do not start with split-rate legislation or diversity of local revenue raising systems or powers to introduce them) it could be fruitful to press from the outset for a more dramatic, nationwide reform. Surveys of property tax stakeholders (see Vickers 2000 and later in this report) have shown no taste for allowing councils to adopt different tax systems, even after holding referendums. There is very strong support from recent surveys for many of the underlying ethical principles of LVT and the more reformist political mood in Britain may mean the time is right.

The purpose of split-rate and pilots of LVT in Britain is not so much to enable 'a thousand property tax systems to bloom' (or twenty as in PA) but to get debate on a more radical tax reform started. Once the tax reform debate has moved above the truly puny (a couple of percentage points of income tax or tinkering with Stamp Duty) to **why** we tax as we do, i.e. Sustainable Taxation, then it is up to supporters of LVT to raise their game and keep the debate at a higher level. History in PA and elsewhere shows that it is all too easy to relax the pressure: opponents of LVT play the long game.

Property taxers unite!

There is some evidence that, although long-term predictions of commentators are that taxes on land and property will grow in importance, the current popular pressure is in the opposite direction. The Study Team were told by PA state officials that 'tax reform' there generally means opposition to high property taxes and 'grey vote' pressure to tax wage earners instead. Fay acknowledges this in his chapter here but suggests that a cavalier attitude by LVT supporters towards the importance of evidence-based valuations for property tax could help undermine all property taxation.

Those responsible for property tax administration, especially valuers, must strive to improve the acceptability of assessments. Developments in computing and especially in GIS will make it possible to use 3D modeling techniques to achieve better valuations and better understanding by taxpayers of the basis of those valuations. Furthermore there is increasing evidence (Gloudemans 2001, Josten 2001) that valuation of land alone is cheaper and easier than assessment of gross property taxes, even if most of the raw data going into mass assessment systems will continue indefinitely to be overwhelmingly of developed real estate transactions and not bare land.

Even if Britain does not move to wholesale LVT but stops at some split-rate local patchwork of half measures—even if there is **no** move at all towards LVT—it would be better for UK to have an efficient and well understood property tax, raising a substantial proportion of revenue, than to allow property taxes to diminish. So the first political task for LVT supporters may be to come to the aid of existing property taxes, which are more effective than any other tax we have now at capturing at least some unearned land values. Having secured allies among the valuation profession, for example by campaigning for the ending of property tax exemptions, it will perhaps be easier to gain support for going further.

Similar alliances with property interests can be made to press Government to complete the Land Registry in England & Wales and the NLIS—and to remove price and confidentiality barriers to publicly held property market information. All these measures are needed for LVT to work efficiently but there is a much wider constituency supporting them. By making allies in this way, supporters of LVT earn credibility which can be tapped into for their own campaigns.

Getting past the transition stage

Many of the issues raised by Kane, Fay and Traynor are really only important during the early stages of introducing LVT. But they are nonetheless real. They were generally not raised by PA hosts, either because those cities visited were already through transition or because the Team did not meet the sorts of people who raise such problems. But when Kane points out that many homeowners and even small businesses will be unable to pay LVT from their low incomes, he has a point. A balance has to be made by politicians who will make the implementation decisions, as to how many votes can be discounted in the short term in order to achieve long term gains. Realistically there has to be a positive balance of short-term 'winners,' even if that means buying people off with exemptions. Triggs outlines the right approach for any LVT campaign.

The important thing to bear in mind is that exemptions, especially when attached to categories of land rather than taxpayers, can undermine the whole purpose of LVT and involve complication, administrative cost and loss of revenue. A possible scenario for the transition to LVT in Britain was outlined in the previous Fellowship report (Vickers 2000) and is refined below.

Postscript to the Pennsylvania Study Tour

It is over a year since the Study Team returned from PA. The author has been back to the US three times since, including one visit to Pittsburgh at the end of August 2001 for a conference of North American Georgists. He has also monitored relevant events there via the internet. This report would not be complete without a summary of these events and the impact they have made in the UK.

Pittsburgh

The news that Pittsburgh had abandoned split-rate was referred to by a leading Liverpool-based Labour politician in August, when he tabled a Question for the City Council there to answer at its 5 September meeting. In his answer, Councillor Chris Newby, a member of the ruling Liberal Democrat Executive who had just been appointed as Research Assistant to the author for this project, was able to report that the firm responsible for producing the disputed Allegheny County property tax assessments had been sacked. He was also able to clarify that Liverpool City Council remains committed to pressing for its LVT pilot scheme. The author met Councillor Malcolm Kennedy, the man who had tabled the Question, at a highly significant conference in London on 20 September, where plans for BIDs were announced by the UK Government (see below). Kennedy was not opposed to LVT but had wished to make the Liberal Democrats reaffirm and clarify their policy in Liverpool. As a member of the North West Regional Assembly and husband of a Labour MP, Kennedy has considerable influence.

As for Pittsburgh, the new firm Cole Layer Trimble appointed by Allegheny County to review the entire 1999-2000 reassessment prior to the issuing of new tax bills, has undertaken to do so within a year. Meanwhile the city council has confirmed that it will stick with single-rate property tax for 2002, leaving its options open for a return to split-rate thereafter. It is suing Sabre Systems for the costs incurred in changing from split-rate, clearly believing that poor assessments were to blame and not the tax system itself.

Dan Sullivan believes those who at first suffered from a return to single-rate tax have gained from the furore and that in the medium-term there are good prospects for Smart Tax once the assessments are fixed properly. He says the fiasco has educated the public and there is a realisation that assessments and not the tax itself were the problem. Early reports of the 2002 assessments are that they look more realistic to those on the ground.

Others are not so sure that assessments will be fixed enough or in time, as an article in PA's ***State Tax Notes*** newsletter 23 Jan 2002 reported:

> *""There's a window of three to five years" to return to a split- rate tax, "and it's closing," Kevin Forsythe, a lawyer in Pittsburgh Controller Tom Flaherty's office, told State Tax Notes. Flaherty told the Tribune Review last November [2001] that he would support a return to a two-tiered property tax—if assessments come down.*

> *"Craig Kwiecinsky, a spokesperson for [Mayor] Murphy, said it would be "inappropriate to speculate" about whether Pittsburgh will return to a two-tiered property tax. The city has already committed to a single-rate tax for 2002, he said, and while there was nothing "fundamentally flawed" with the old system, the city favors a single rate now because it simplified an already confusing situation for residents*."

The article continues:

> *"In Pittsburgh, sentiment for a return to two-tiered property taxation remains strong. Residents and policymakers are dividing into two camps, Forsythe said: One favors a tax on land exclusively, the other wants to abolish property taxes altogether. Forsythe told State Tax Notes that he supports a land tax.*
>
> *"Usually the right thing loses," he said. "I don't think it's [a move toward a land tax] going to happen, but I wish it would.*

Philadelphia

A wide-ranging debate involving many interest groups has continued in PA's largest city, the one most like Liverpool and other British cities in its government. The positive effect of Smart Tax reform on the local property market was implicitly strongly endorsed when the President and Chief Executive of the city's estate agents' association wrote to the City Controller in September 2001:

> *"After reviewing the Land Value Tax Program thoroughly, we stand behind your efforts to provide the city with evidence as to the value of such a tax plan. We believe the Greater Philadelphia Association of Realtors can play an active role in assisting you to reach your objectives and goals.*
>
> *"We look forward to working closely with you, as well as Philadelphia City Council, to a favorable outcome of this proactive tax reform. We are excited by the vast possibilities our Association may play to bring the specifics of your program to our 1200 members and residents of Philadelphia….*
>
> *"We applaud you for having the vision and foresight to see that Philadelphia needs crucial tax relief. We firmly pledge to assist you in achieving that goal."*

Two local newspapers have been running regular columns on the issue, one of them paid for by the Realtors Association and including a significant educational element. The ***Inquirer*** reported 22 October that the Chamber of Commerce was also backing Controller Saidel:

> *"…if taxes are raised on vacant, abandoned or underused land, the owners will develop the property to cover their higher costs. And, because taxes would be lowered on buildings, property owners would have an incentive to invest in homes and businesses. Such a land tax, plus business- and wage-tax reductions, is part of a larger overhaul of the city's tax system."*

Saidel had been briefing council members throughout the latter part of 2001 and easily held off a challenge at the polls in November. He went straight into publication of his final proposals, aimed at a skeptical Mayor who has opposed LVT ever since his election to city council in the 1980s. Powerful interests will lose out initially, as the ***Inquirer*** points out:

> *"Property taxes would drop by modest amounts for 78 percent of city homes, but increase for 50 percent of the city's commercial and industrial property. Owners of parking lots, car dealerships and other businesses with large tracts of undeveloped space are among those who could face higher taxes."*

A week after his re-election, Saidel must have been comforted by endorsement of his Plan coming from an influential economic adviser to Mayor Street, Professor Robert Inman, a long-time critic of Philadelphia's tax policies. Reports the ***Inquirer***:

> *"In his analysis [Inman] makes it clear that the land value tax should not be used to raise new revenue, but used as a tool to shift and hence streamline the city's tax structure as to lower the tax burden to citizens and businesses. He also points out that—as it is with the effectiveness of any tax—proper administration and valuation is essential."*

Inman himself wrote in the ***Inquirer*** on 9 November:

> *"…the land tax could serve as a partial substitute for the worst parts of the city's economically debilitating tax structure. …Businesses that own land in the city give up two bad taxes for one good one. City homeowners will face a higher overall tax, but they get higher home values, higher wages, and more job opportunities.*
>
> *"Is it time for a land tax in Philadelphia? Now more than at any time since 1990 is the time for efficient provision of government services funded by efficient and fair taxation. If well-administered, a land tax could be a useful part of the mix."*

On 27 November 2001, Saidel released his final Tax Structure Analysis Report and challenged Street to come up with a better plan for the city's economy. At his press conference, which required an overflow room for public and media, Saidel was flanked by the President of the Chamber of Commerce, five city councillors including a powerful ally of the Mayor and chair of finance committee, and a union leader. But the Mayor gave it a frosty reception, reported the ***PhillyNews***:

> *""It would be hard to endorse the proposal at this time," Street said of Saidel's plan to convert the city's real estate tax into a land-value tax."*

However one reporter almost glowed with satisfaction at the Report, calling it *"the best policy statement from any city government in my 20 years of policy analysis and research."* Mark Alan Hughes went on, in the ***Daily News***:

> *"I like how smart it is, how honest it is, and how savvy it is in anticipating those who will try to bury it. It doesn't treat the reader like a miserable fool who should shut up and be thankful for the lousy status quo."*

This shows that presentation and seeking allies for tax reform are as important as content. Even Associated Press gave Philadelphia's tax plan coverage, focusing on a local venture capital start-up programme where successful entrepreneurs are advised to move out of the city to avoid taxes. As ***PhillyNews*** said on 30 November, the day City Council voted to hold hearings on the Plan:

> *"With lower taxes, the city could attract more people and businesses, thereby stimulating more revenue. In other words: high taxes repel, low taxes attract."*

LVT supporters organised a one-day seminar on 1 December: ***Land Rights and Democracy in Philadelphia*** aimed at civic groups, not the 'suits.' Calling the Saidel report a Blue Print, veteran PA LVT campaigner Alanna Hartzok issued an appeal via the internet:

> *"Let everybody know what you like about the plan and encourage those decision makers to take these bold, but necessary steps."*

In answer to the question "How is it done?" (meaning "how do you campaign to get this far?), she said:

> *"This is a team effort. The way it is played is with Bruno [Moser] in the Controller's office as Economist, Joshua [Vincent] with his Center for the Study of Economics now based in Philly near City Hall—they are working with the city officials and business organisations and crunching the numbers, also going to community groups, others of us are networking grassroots and social justice organizations to keep building understanding and endorsements. We will link the grassroots movement with the city officials to keep things moving along.*
>
> *"The challenge will be that people are accustomed to being either on the left or the right and are finding it strange to find there is someplace out of the box!"*

A vital asset to the campaign has been a website www.hallwatch.org made for community activists to monitor their city government's actions. Through persistent and well-researched community action, the pressure on council members built up as the 30 January start of tax hearings approached.

Although these hearings were not well attended by councillors, they seem to have had the desired effect. On 10 April 2002 the necessary two-thirds majority was obtained for the Mayor's budget to be voted down. Mayor Street had relied on wage tax to balance the books for 2002-3. It is hoped that he will now accept Saidel's proposal to use LVT instead, realising that supporters of the Controller outnumber those who back his own plans.

<u>Harrisburg and other PA cities</u>

Allentown and Harrisburg, rather than Pittsburgh, are usually cited by Philadelphia campaigners. In Harrisburg the Mayor promised not to repeat the mistake of Pittsburgh after his Dauphin county reassessed property values in 2001, effective January 2002. In a letter to the Center for the Study of Economics in Philadelphia, he wrote on 31 August:

> *"We fully expect to adjust our tax rates downward, since the assessments have substantially increased over previous levels, and we further expect to maintain the same ratio now in place—a one to five ration—in the tax rate on land versus improvements."*

Mayor Reed outdid himself: the 2002 tax rates increased the ratio (land: buildings) from 5:1 to 6:1 despite a doubling of the land value assessments.

No new cities have come forward to join these pioneers however. It would seem that all are waiting for Philadelphia to show the confidence that Pittsburgh failed to show.

<u>Virginia</u>

Although a Bill presented to the state's Governor in March 2001, designed to enable the city of Fairfax to pilot LVT, was blocked then, a fresh attempt nine months later has succeeded. On 24 January 2002, the Virginia House of Delegates voted 72-27 in favor of a bill to grant the city of Fairfax the right to try a two-rate property tax. Exactly a month later, Governor Warner enacted HB239, which states:

> *"In the City of Fairfax improvements to real property are declared to be a separate class of property and shall constitute a separate classification for local taxation of real property.*
>
> *"The governing body of the City of Fairfax may levy a tax on the property enumerated in subsection A at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on the property described in subsection A shall not be zero and shall not exceed the rate of tax on the land on which it is located."*

So the split-rate could come into effect in a second US state in 2003. Intriguingly Fairfax is no 'basket case' but a prosperous commuter city an hour's drive from Washington DC. Meanwhile moves are afoot to legislate in a similar fashion in Connecticut.

Return to the Whitstable Studies

The closest that Britain has hitherto come to having a pilot of LVT was when trail valuations were carried out of the town of Whitstable in 1963 and 1973. They were undertaken by a respected professional rating valuer, Hector Wilks. The first (Wilks 1964) was commissioned by the Rating & Valuation Association to address the negative views of LVT contained in a report for Government of 1952, the Simes Committee report (Simes 1952). The second report was undertaken by the Land Institute to address certain problems that Wilks had himself identified with his previous methods (Wilks 1974). Wilks summarised these exercises in a pamphlet published some time afterwards (Wilks, undated) but there has been very little review of his work by others.

For this Fellowship study Robert Young was commissioned to investigate the records held by interested bodies concerning the Whitstable reports, to see why they had been such public relations failures. Both reports mention Denmark in passing but not PA, which had not then expanded LVT from the two pioneer cities of Pittsburgh and Scranton. Wilks was not so much considering pilot LVT as a pilot land valuation exercise, so single-city experiments with the tax were less relevant than Denmark's nationwide experience. He was most concerned with the feasibility and cost of valuation and with helping make a case for a new source of local government revenue to replace the rates, not so much with the economic and environmental effects of tax reform.

Young compares the reception that the two Whitstable reports received at the time with that which 'welcomed' the publication by Galileo and Newton respectively of the their theories of gravity and a helio-centric universe! Despite meticulous recording of the ease with which his team of amateurs had satisfied his professional rigour for accuracy in assessment and proving how all the problems that land valuation presented were solvable, Wilks' reports were denounced and later traduced by senior colleagues in the rating profession.

On the whole, Wilks was ignored and there is very little evidence that his reports caused a ripple, let alone a stir. The microfiche of his oral evidence to the Layfield Committee looking into local government finance in 1975-6 is mysteriously missing from RICS' records—the only part of their copy of the Layfield report to be missing!

Most damning to Wilks was a speech just after his first Whitstable report, delivered by Trustram Eve, a member of the Simes Committee and Past President of the Rating & Valuation Association. Eve's opinions would at the time have scarcely been challenged by anyone wishing to advance their career in rating, mainly because his criticisms of LVT were not technical or evidence-based but clearly political and emotive.

> *"In considering the best system for the apportionment of rates amongst ratepayers and their administration and collection, ulterior motives are not germane or, if they come into the picture at all, they are only secondary to the primary objects of a rate…. One of the ulterior objects of the site value protagonists is to force owners with undeveloped land to develop the land either themselves or by a purchaser…. It is no part of a rating system to have the indirect effect of forcing owners to develop…. In examining the results of this site value experiment, it is possible to confirm all that has been said against this system."*

Nowhere does Eve state what the practical difficulties are with site value rating, nor argue logically against the evidence Wilks produces. Presumably the primary purpose of rating (for Eve) is to provide an income to rating valuers, whereas encouraging actions that support public policy is secondary or 'ulterior'! The impression one gets from the few senior present-day rating professionals who have heard of Wilks and his Whitstable studies is not only that their 'elders and betters' at the time rejected Wilks' findings but that Wilks **himself** was convinced that LVT was unworkable. In fact Wilks **started** his work in Whitstable somewhat skeptical of LVT but became convinced over the years that he studied land valuation that not only was it workable but highly desirable.

The only evidence Young found that either Whitstable report was read and understood by impartial commentators at the time was a piece in the ***Economist*** of 16 May 1964, which looked at various policies then being debated as options for speeding up redevelopment of post-War Britain while preventing land speculation. The author concluded that 'site value taxation or rating':

> *"would have great attractions under modern conditions…As a recent pilot study in Whitstable showed, planning considerations would be the final determining factor in how large a rate was actually paid on a site."*

Most of the benefits claimed for LVT were outlined soberly and positively before the article concluded prophetically:

> *"It may be that Britain is fated to go through yet another phase of another land policy which fails before the country will come round to it…. But if the aim of securing the most cheap and efficient voluntary use of land within a planning framework is to be achieved, it is a fair guess that some system on the lines suggested [by Wilks] will eventually have to be introduced, if not by the next government but by the next government-but-one."*

The Whitstable reports were largely made possible by grants from the United Committee for the Taxation of Land Values (UCTLV), whose files have now been so thinned out that no independent record remains of the manner in which the work was conceived or publicised. However from conversations with surviving members of UCTLV staff and Board it was learned that no money was set aside to ensure the reports were made widely available. Probably only a few dozen copies of either report were ever printed and no follow-up activities were undertaken.

This section concludes with a selection of Wilks' own reflections on his work. He admits his 1963 survey was "*unspohisticated; it was rough and ready*." He claims that although "*a number of anomalies appeared*" he dealt with them all in his 1964 report. He may have been referring to Trustram Eve when he goes on:

> *"One or two people seized on the apparent anomalies in isolation and, having exposed them, damned the whole system. Not only was this unfair but it was unworthy of them. In the ordinary rating system we have a tremendously complicated series of exemptions, reliefs, partial reliefs, rebates, partial rebates, and so on, all of which operate in a most complicated way, yet comparatively smoothly. To look at a few anomalies in the first attempt made ever at a site-value rating exercise and damn the system because of them and without looking at the consequential overall effects and reliefs seemed to me to be unscientific and unhelpful."*

He concluded that his 1963 survey had, despite the anomalies, proved that site valuation was perfectly feasible and once done "*the number of interim alterations of assessments would be reduced by a phenomenal percentage*." The 1973 survey was prompted by renewed interest in reform of local finance and the Government's dismissal of SVR (without cogent argument) in a 1969 Green Paper. Wilks paid a visit to Denmark to gain advice on certain issues (he does not say which ones) addressed the previous anomalies, devised a new definition of site value and completed the review of site values for nearly 13,000 hereditaments in well under five months and "*only 210 working man days*"—which he himself found "*quite incredible*"! He was the only qualified surveyor of his team of six people, most of whose work could today be automated.

It is significant, in the light of the often expressed view nowadays that LVT is incompatible with the British planning system, that Wilks thought his second survey was more accurate largely because "*I was able far more closely to follow the actual planning requirements and the actual permissions*." In other words, as the planning system becomes more comprehensive it becomes easier to establish site value. Wilks' 1973 definition of site value for taxation purposes in the UK included the clause:

> *"(iii) All planning considerations relevant to the development value to be reflected in the annual site value have been taken into account."*

He also asserted that "hope without planning permission was of no value within the definition."

Wilks looked at SVR in the light of Adam Smith's four canons of taxation (ability to pay; certainty and clarity; convenience as regards payment; and cost of collection relatively small), added three of his own (moral justification; public acceptability; and—for a replacement tax—comparability with what is being replaced). He then had no trouble finding that SVR succeeded on all counts. The last paragraph in his Reflections is:

> *"The only problem that I can see in this country in bringing in such a method of taxation is the interim period or changeover. It is so bound into the system in this country that the occupier pays the rates. All leases of and transactions in land are based on this premise. Is it worth upsetting all this, is it worth having to review by statute every transaction in land, every lease of land for this other system of taxation? Now that I have done the two reports my answer is an uncompromising "Yes." It is all worthwhile."*

A View of LVT in Denmark

Denmark has had LVT for nearly eighty years. Its success was cited in the Whitstable reports (see above). For most of this time the tax has been levied for local government revenue only. There is no local autonomy over methods of revenue raising and fairly tight control over the range at which councils can levy the tax: counties currently levy a standard 2% on land values and municipalities a further few mils only. The tax authorities are quite happy with the systems in use for assessing land and property values and raising the revenue, indeed they are somewhat proud of its efficiency and public acceptability. It costs under £2 per property per year to administer.

As in the UK, tax policy and administration are national government matters. Similarities do not end there. There is strong concern for the environment and the use of policies to support sustainable urban development. There is an interest in curbing taxes on enterprise and a good official understanding of the link between fiscal and planning policies. But as in Britain, there is little or no active political will to undertake tax reform. Economists rather than Danish politicians are urging greater use of LVT, in order to correspondingly reduce taxes on income and profits.

The Danish Justice Party, which carries the flag for Henry George's ideas but has been singularly unsuccessful in elections since it briefly formed part of a coalition government in the 1960s, celebrates its centenary in 2002. The author and Greg McGill met some of its leaders in February 2001. They came away with their view reinforced that having a single small 'Georgist' party in a country allows opponents of LVT to brand it as a fringe idea. The Danish Social Democrat and Liberal parties recently abandoned their support for LVT at national level. The Justice Party is now little more than an obscure debating society and its existence is arguably hampering fresh attempts to strengthen support of LVT.

During 2001 a new law was passed that enables cadastral (land parcel) map data to be accessed free of charge over the internet by Danish citizens. Land value assessments, already available in text form to all citizens in most local phone directories and at town halls in printed map form, can now in theory also be downloaded as value maps.

The tax administrators do not seem interested in using GIS either to improve the quality of assessments or the level of appeals, probably because there is no significant problem with their highly computerised mass assessment system or with valuation appeals. Revaluation has been done every year since 1998 and results in only a handful of appeals against land value assessments (0.2%), typically one day's work for the local Valuation Tribunals.

Danish property and land taxes are at a much lower level than in Britain, which may help explain why LVT gives so few problems. However the presence of a complete land register based on cadastral mapping could also help.

Of most interest to UK is the fact that Denmark's first mass transit system is being funded solely by LVT. This is in marked contrast to London Underground and Docklands Light Railway, from where it is said Danish transport planners learned how **not** to finance public infrastructure! A large area of derelict dockland near Copenhagen has been designated for regeneration and will be linked to the city centre by a new railway. A Bond has been raised to pay for this, which will be financed from LVT revenues assigned to the company (jointly owned by Copenhagen and the State) responsible for the entire regeneration project. In effect, an area which was already subject to LVT (but had low land values) will see all its land value increment go to pay for the project that created the land values.

Denmark has been influential in providing expertise and assistance to several countries in transition from Communism, helping to establish property taxation systems in the Baltic States and elsewhere. It would be useful for British LVT campaigners and property tax experts to study the Danish system in more detail. This author has maintained contact with several experts there but not yet undertaken further work.

The 2001 General Election and After

This section considers how the British political landscape has changed since the end of 2000. The General Election was significant not so much because LVT was an issue (it wasn't) but because it disturbed the smooth progress of this project. A subject that deals with land, tax and information cannot help being highly political and this made progress on parts of the project more than usually difficult whilst the political classes were engaged in electioneering and the outcome of the election was uncertain.

Since the election, the subject of LVT has returned to its place on the fringes of debate concerning a wide range of issues, gradually reaching more people but still not an everyday topic. Even in Liverpool, where this section begins in the weeks before polling, tax reform is on few lips.

Face to Face with Liverpool Business

The postal survey of a wide range of British property tax stakeholders in 2000 as part of this Fellowship gave strong indications of support for many of the principles of LVT. However it suffered from the problem of all such surveys: postal responses are a self-selecting and therefore statistically unsound sample.

The same questions were therefore repeated in face-to-face interviews by two experienced researchers into attitudes of small businesses. Margaret de Wolf is an independent lobbyist with the FPB and her partner David Beardsley manages Reduce-The-Use, an environmental consultancy. They were instructed to interview a representative cross-section of business ratepayers in Liverpool and Newbury. Liverpool was chosen because it had volunteered to be a pilot for LVT and is a city with severe problems of dereliction. Newbury, which happens to be run by the same Party (Liberal Democrats) and is the author's hometown, centre of a Unitary Authority like Liverpool but at the opposite end of the economic spectrum with 'problems' of overheated job and housing markets.

The surveys took place in April and May, a time of year when tax is topical because domestic property tax rates are set in March, the Government's tax changes are announced in March and debated in Parliament in April and new tax rates—including that for business rates—come into effect in April. The General Election was not a significant factor in the encounters with business owners.

Newbury was used as 'control' to the Liverpool survey: 100 businesses were interviewed in Liverpool and 25 in Newbury (Reduce The Use, 2001). The results are in Appendix 2 alongside those from the total postal survey response. The main findings are summarised here, where they differ from the postal survey or as between economically prosperous (Newbury) and struggling (Liverpool) communities.

Liverpool business owners seem to object more than the average to the taxing of improvements and the non-taxing of dereliction. They also recognise the failure of the UK tax system to compensate them for the effects of economic blight. They well understand that LVT acts quite differently on the local economy to other taxes, that it is not a burden on enterprise.

It was perhaps surprising that few Liverpool businesses seem to support a tax on unearned profit from planning permission. It could be that gambling and speculation are more attractive to people in marginalised communities, where opportunities for 'honest rewards' are less easy to come by.

Given that the survey was inflicted on busy people who had probably never given LVT a thought in their lives, it is significant that the research team found a high level of interest in the subject, especially the 'show card' of specimen value maps (see Appendix 2). But there needs to be much more engagement with stakeholders in urban regeneration if such views are to become a groundswell of support for tax reform.

On the whole, this survey validates the one undertaken the previous year. It confirms widespread dissatisfaction on the part of business owners with many aspects of UBR:

- the penalising of improvements to property;
- exemption from taxation on the basis of 'full potential use value' of vacant and derelict land and buildings;
- failure to include provision for compensation in the case of development blight.

Furthermore the surveys show strong support for and understanding of these attributes of LVT:

- untaxing of improvements;
- 'Plan-led' site valuation and taxation on the basis of 'highest and best use';
- automatic adjustment of tax when property is blighted or falls in site value;
- accords with Sustainable Development and promotes urban renewal;
- fundamentally not a tax on production but a 'use charge' for something that the community creates, not the land owner;
- its redistributional effect.

The public perceptions that remain most problematic for LVT's supporters are:

1. Failure to understand how a one-off land tax differs in effect from LVT;
2. Ambivalence over taxing 'windfall profits' from planning permission or speculation;
3. Cynicism as to whether governments would actually reduce other taxes when bringing in LVT;
4. Some belief that 'we are different' from other countries that have LVT.

These findings, explicitly and implicitly, support the belief that pilots are essential and that land value maps can form an important part of helping to resolve technical and political problems with the introduction of LVT. They also reinforce the findings of the Study Team in PA that diversity in methods of taxation is not something that British people want. Pilots should not be seen as precursors to a 'free market' for local authorities in revenue raising methods but primarily as a testing ground for a single plan to replace existing taxes (initially UBR) with LVT nationwide.

Developments in Liverpool in 2001

Because of the impending General Election, for the first half of 2001 it was difficult to engage political leaders in Liverpool and elsewhere on such a sensitive subject as property tax reform. It could have been counterproductive for such a political 'football' to be the subject of local research, especially with the ruling party on Liverpool City Council having different policies to the Labour Government.

This meant that the political engagement with councillors, officials and business leaders started later than planned. Furthermore the election, originally rumoured to be planned for April (British Prime Ministers have the luxury of choosing when to face the voters) was delayed two month by the foot-and-mouth outbreak in England & Wales. The first meeting in Liverpool about possible seminars on Smart Tax reform did not take place until 12 June—exactly a week after Polling Day—at the Liverpool Chamber of Commerce and Industry (LCCI). About a dozen members of LCCI attended and a second meeting, with mainly different members of LCCI, was held a month later to explore the possibility of a jointly sponsored Council/LCCI conference in November. At this meeting, the idea of a BID with funding from LVT was suggested, a month before the Government announced its White Paper proposals for BIDs.

Although BIDs were by then being actively discussed in other British cities (see below), there was no serious discussion of BIDs in Liverpool until early in 2002. This may be because of the relative success—and generosity on the part of UK Government—of the latest regeneration plans of Liverpool Vision for the city centre, which were reported on at the conference when the draft Fellowship report was launched.

To help make up for lost time on the project, the decision was made in late June to appoint a locally based Research Assistant to help raise the level of debate and organise meetings there. Despite national and local advertising in the trade and general press, the only suitable applicant happened to also be a leading member of the ruling City Council, Councillor Chris Newby. He started to explore possible BID areas and the state of the city's land information data on these areas.

It transpires that Liverpool City Council has one of the most comprehensive local authority GIS systems in England but that it is undergoing a strategic review of how to develop it as a corporate resource. GIS managers welcomed the Lincoln / LVT project as a potential key corporate application. At the time of writing there is no formal agreement on how to collaborate with the Council's GIS department on taking this project forward. There is a general understanding that the Lincoln project team can have access to data and staff in all departments but no specific Council budget has been allocated. This level of detail is to be tackled under Stage 3 during 2002. Meanwhile sufficient data (owners, planning consents, etc) has been obtained to enable a trial land valuation of a small part of the inner city to go ahead (see Appendix 4).

A meeting was held in July with VOA managers in Liverpool to discuss possible collaboration between City Council, HGF and VOA on a trial land valuation as part of the Stage 3 Fellowship. The matter was referred to London HQ of VOA where a meeting with Directors took place in November to discuss the extent to which VOA could work with HGF generally. Because the Liverpool / Fellowship project involves research into an idea which might be construed as contrary to Government policy, VOA is obliged to charge for any time spent by its staff assisting or verifying site value assessments. Also any request for assistance must come through another statutory body, namely the City Council, which expects to be reimbursed by HGF. A sum has been included in the Stage 3 budget to cover this.

The initial trial area proposed is just north of the main railway station off Lime Street and lies in a mixed use are between the major landmark of St George's Hall and a teaching hospital. It includes retail, leisure, commercial, student residential and warehousing (see Appendix 4), as well as several vacant sites. It was chosen because it appears to present most of the problems that would need to be resolved by British valuers, not because it is typical. It is seen as a 'classroom' for land valuation, not as an area that has any particular prospect of becoming a BID, nor an area than would enable the cost of valuing all of Liverpool for LVT to be extrapolated with ease.

On the advice of Newby, October Communications Ltd was appointed to organise the conference that would conclude the second Stage of this Fellowship. Its principal Jon Egan is a former Adviser to the previous Labour administration in Liverpool and has excellent contacts in the city and region. He has since become a member of the Stage 3 project team. He obtained several high profile speakers for the conference on February 22, 2002, including the then President of the Institute of Civil Engineers, Sir Joe Dwyer, Chairman of the city's regeneration body Liverpool Vision.

Tax in the Election

Although Autumn 2000 saw the Labour government's opinion poll lead reversed for the only time since 1997 by a tax-related protest, no significant debate was had about tax reform in the 2001 General Election campaign. HGF held a half-day seminar in London with Friends of the Earth on 4 April on Sustainable Taxation and commissioned a Japanese postgraduate student to carry out interviews with leading policy makers during the following weeks on the same theme. Proceedings of the seminar and Shizuka Oshitani's report were published together as ***Towards Sustainable Taxation*** in January 2002 (Oshitani, 2002).

The current political climate remains very tense and unsettled over tax. There is a need for debate outside the accepted economic norms and political party dogfight. Several nongovernmental bodies are discussing the setting up of a Citizens Sustainable Taxation Commission, to lobby government on the need for a tax shift and monitor existing and proposed fiscal policies.

Transport Infrastructure Funding

With the collapse of the recently privatised company responsible for railway assets, Railtrack plc, in Autumn 2001, the policy of privatisation of public infrastructure seemed in tatters. Despite this, the Labour Government appears intent upon repeating the exercise with London Underground, claiming that there is no possibility of funding the necessary investment without private finance. Naturally supporters of Henry George disagree; somewhat surprisingly they are not alone and find that across the political spectrum there is overwhelming support for keeping 'The Tube' in unified public ownership.

This made fertile ground for a book published in July (Riley, 2001) that exposed the potential for using land value gains to fund transport infrastructure. ***Taken for a Ride*** by Don Riley, a South London property restorer, sold in the most influential places, partly helped by HGF's support to the writer and publisher. The publicity for LVT has been sustained into 2002, with a major mainstream conference (up to £600 a ticket) ***Funding Transport Infrastructure Using Land Values*** taking place on 12 March at which London's American Transport Commissioner Bob Kiley was to be keynote speaker. The degree of political sensitivity over the issue was emphasised when Kiley, who has gone on record calling for land values to be used as the revenue stream to pay back bonds issued for Tube investment, withdrew at two weeks' notice from the conference, because of his dispute with Government over LU. He has however promised to be keynote speaker at a conference on LVT in London in October.

The Mersey Rail Authority (which covers Liverpool) has its own £0.5 billion rail project on the drawing board, it transpired at the 12 March conference. Support from interested parties in this project towards the implementation of LVT in Liverpool is being actively sought, since their project has not yet identified a source of funding.

Business Improvement Districts

The Government's December 2000 Local Government Green Paper (DETR 2000a) proposed an authority-wide supplementary business rate to be levied by 'well run' councils. This idea met with a frosty reception from business leaders and has been modified in the White Paper published Autumn 2001, which is now awaiting a legislative slot (DTLR 2001). The new idea for funding urban renewal at community level comes from America: BIDs. As the White Paper says:

> *"In America, the BID levy is paid by the owners, rather than by the occupiers However, American property taxes are generally levied on ownership, while the English rating system is a tax on property occupation. Some businesses have expressed concern that limiting the BID levy to occupiers, through the rating system, would be unfair, as much of the benefit would in fact fall to property owners, as the improvements to the area would increase property values, enabling them to increase rents to occupiers.*

> *"…But there are significant practical difficulties in extending a BID levy to property owners, outside the rating system. This would, in effect, be a new tax on property ownership. We therefore intend to build voluntary landlord contributions, already substantial in many existing projects, into the model for BIDs in England. This will be done through the guidance rather than legislation …*
>
> *"…If occupiers are not satisfied that landlords are making a sufficient contribution, they can vote against the proposal. This will encourage the landlords to meet the concerns of occupiers if they are both to get the benefits of the scheme…"*

HGF has found intriguing allies for the idea of copying Pittsburgh's BID funding. Several experts in regeneration have endorsed the use of landowner contributions towards BID funding. As the above quote shows, the Government appears determined not to introduce any new tax but does concede the argument that owners ought to contribute financially to renewal projects from which they are the main beneficiaries. But what about the 'free rider' issue: what happens if a few owners refuse to pay? What is so difficult, in practical terms, about a new tax on owners? Are not all taxes 'difficult' in practice, to some extent? Does that stop governments introducing them when they need revenue, especially if the tax has beneficial economic effects?

Prominent developers are among those who have gone on record calling for BIDs to have the option of compelling owners to pay, in other words providing statutory powers to local authorities not only to collect supplementary business rates from occupiers within the BID area but LVT from owners too. HGF is providing expert support to those who see that LVT pilots could be combined with pilot BIDs. With Government claiming it wants maximum flexibility and local autonomy for BID partnerships, it will be hard for them to deny the possibility of LVT.

Government is planning an Urban Summit in Birmingham on 1 November, at which its policies for urban renewal will be reviewed. HGF aims to ensure that the idea of 'Smart BIDs' will be aired. This project will be used to help prepare the case that it is hoped to present first to the wider British public at the Urban Summit.

Land Registration and Valuation

In England & Wales all three key land information agencies (Ordnance Survey (OS), HMLR and the VOA) have seen milestone events in 2001. The OS MasterMap object-oriented seamless structured database was launched in November, with a national buildings dataset released first and a land parcel dataset—crucial for LVT—promised within months. Data price will prove a problem however: Government seems to be preparing to privatise OS and in the meantime is making it hard for the national mapping agency to offer its data at a price that will encourage maximum usage rather than maximum profit (Barr, 2002). This will not affect the current research project (academic users have a preferential price scale for OS data) but could affect the case for LVT, since Treasury operates an 'internal market' policy for data exchange between public authorities. If value maps are part of the LVT process it could front-load the cost of implementing the tax.

With almost indecent haste after the General Election, Government introduced a Land Registration Bill to the recently reformed House of Lords (where only a rump of hereditary landlords are left to vote). The HMLR Quinquennial Report in early 2001 (Edwards 2001) had called for Government to require completion of the Register by 2010, with prevention of tax evasion by overseas-based and unknown owners as one reason. Significantly this was not in the Bill, which merely reduces the length of lease that will trigger first registration. Royal Assent was achieved for this modest measure in April.

A book ***Who Owns Britain?*** was published as the Bill completed its Lords passage and moved to the Lower House (Cahill 2001). Its author is a supporter of LVT. The book has given LVT and land policy in general a good airing in the national media through early 2002. It castigates Government for failing to adopt for Britain the very measure that it recommends for developing nations: a comprehensive Land Registry for the New Millennium.

Modernisation of VOA was set in train early in 2001, following **its** Quinquennial Review highlighting gross levels of appeal and costs of maintaining the rating lists. It is too early to say what effect this modernisation will have on prospects for LVT. Weeks after the Director of Modernisation had given a visionary speech to the Annual Dinner of the Rating Diploma Holders Association in November 2001, which this author attended, he was moved aside and the scope of modernisation appeared to be scaled down. There seems to be a battle over the cost of re-engineering the VOA's core IT system, which is somewhat dated.

Interim Conclusions & Recommendations

The research questions posed in the Proposal for this Stage were revisited in August 2001, as part of the Stage 3 bid. The conclusions at that time have not been greatly altered by subsequent events, although they have been refined and the questions themselves rephrased for the third and final Stage of this Fellowship. This review is included as Appendix 5 to this report.

It is felt that the approach taken in the draft report published for consultation at the Liverpool conference *From the Ground UP: Funding Regeneration without Hand-outs* is more useful. That summarised the findings in nine main points, five being conclusions and four being recommendations. For the conference itself, these were graphically illustrated by two diagrams that are here included as part of Appendix 3, one of which was first used in the Stage 1 report and has been modified only because Government has replaced its Supplementary Business Rate idea with that of BIDs. The nine Findings of this Stage of the study are numbered and emboldened in the following pages.

Lessons from Pennsylvania

The Study Team probably learned more from each other that will be of use in achieving the aim of this project than they learned from their hosts in the US. The visit to PA allowed them to discuss the contrasts between UK and US and refine their thoughts on how matters might develop at home. It did not in any sense provide a model for how to introduce LVT to Britain: it could even be said that its main value was to teach how **not** to proceed in Britain. There are lessons to learn about fact-findings visits on the subject of LVT generally, which are discussed in relation to '9' below.

Positive lessons were learned from the visit to PA. One key lesson for politicians and property professionals alike is that there is nothing to fear from allowing diversity in property taxes: one size does **not** fit all. A second lesson, which a visit to US was not essential to learn because there is published evidence to support it, is that quite modest levels of local LVT can have remarkable results in terms of urban renewal. However it was also obvious—and for this firsthand experience was useful—that having the tax shift just at city level is not enough to transform public opinion and enable full advantage of the theoretical benefits of LVT to be taken. This may be a negative lesson but it is sobering to have to admit that there is probably nowhere in the world where one could go to prove on the ground that the claims of LVT supporters are justified.

The main lesson from the Tour was that making a Smart Tax Shift is a complicated business that has to be planned and managed extremely carefully. It involves taking account of a wide range of political, cultural, economic, judicial and institutional factors and is best undertaken gradually with a clear vision and bringing all affected interest groups into the process. Every society will have a unique path to follow and the leadership along that path is best taken by people who already have wide respect in their communities, not by technicians or those with a clear interest in the *status quo*. What follows attempts to define the best path for Britain in the early twenty-first century under a centre-left government.

Political Context and Contrasts

PA was not looked at because its split-rate form of LVT was thought appropriate to the UK, nor because its diversity or automony in local taxation are models that Britain could or should adopt. The cities visited do not have the Smart Tax because somebody outside their boundaries chose them as pilots for a state—let alone Federal US—roll-out of local LVT. The Tour took place because surveys of property tax stakeholder opinion in Britain, supported by practical common sense, indicated that local pilots of LVT should precede a national decision on its implementation. It is also extremely relevant that all the cities in PA with split-rate adopted it as a key instrument of local economic renewal and it is in the context of urban renewal that the debate in Britain has included LVT and the UTF recommended that overseas experience of split-rate be studied.

The political context in PA is totally different to Britain. Even if we thought it possible or desirable to copy the PA political system that has enabled split-rate to be adopted in some cities, it would be beyond the remit of this study to deal with such a fundamental political transformation. However some important conclusions can be drawn from the political and institutional differences, largely in order to preempt critics of LVT.

Firstly we should not conclude from the absence of any national debate in the US that LVT is inherently unsuited to nationwide implementation, as a UK-wide or even EU-wide form of revenue. It just so happens that property taxation is constitutionally reserved to states in the USA and such is the strength of states within—and the difficulty of amending—the Federal Constitution that nobody there would seriously consider opening up that debate.

The same is not true for us. Indeed the same surveys of opinion that show support for pilots of LVT show nearly as much support for **not** allowing local councils to adopt different taxes, even if they conduct referendums of local people to seek a mandate for tax reform. The diversity of land information systems, legislative systems and the bottom-up traditions of governance in the US militate against even a statewide standard property tax in most states. Contrast Britain where, at least within each of the four home nations, there is consistency of law and practice and almost no tradition of tax autonomy. Whatever some might like, the most that might happen in the UK through local autonomy, unless there are entirely separate political initiatives towards further subsidiarity in general, is that local tax rates for LVT might be varied within a defined range[4].

If there is an end-state model for LVT in Britain, it is not PA but Denmark with its national tax administration and almost equally top-down traditions of government generally. But because LVT has been used in Denmark so long, it is difficult to see what can be learned by us from Danes about how to create the political will to initiate pilots. What PA cities can perhaps teach us, especially those cities that we visited that still have political leaders who champion Smart Tax reform, is how to engender and maintain the political support necessary to challenge the status quo.

As with Denmark, the tradition of past campaigns for LVT in Britain has been for it to be a nationwide tax, perhaps assigned to local authorities. The hundreds of councils which passed motions calling for SVR a hundred years ago throughout the British Isles were not asking for tax autonomy but for national tax reform.

Property taxes are generally, throughout the world, seen as appropriate for local government revenue. However there is a good case to be made for using LVT as a national tax which would greatly help redistribute (or rather predistribute) wealth that otherwise gravitates to economically well endowed regions.

So the first main conclusion is:

1. LVT should be seen as eventually a nationwide tax in the UK, perhaps (but not necessarily) reserved to local government. Pilots will merely help develop and test the processes and stages necessary for a national implementation and prove that the benefits outweigh the costs.

Following on from this, it must be realised that opponents of LVT play the long game. If they perceive that pilots are being implemented in a half-hearted way and that there is a good chance that they will fail or be abandoned, then the economic benefits will never show up in those pilots. The land market must change if LVT is to work and perceptions held by property owners and occupiers about trends in taxation are an important factor in the land market. Any government that legislates for pilots of LVT must show the electorate and particularly the influential property market players that it fully intends, albeit with care and in due course, to adopt the policy nationwide and at a substantial level.

LVT is a policy measure that only a strong government with moral authority can take. There is a fine line between strong political leadership and dogmatic stubbornness. Margaret Thatcher crossed that line, almost all now agree, when she implemented Community Charge without either pilots or proper consultation with those who had to put the legislation into practice. The form of words used by political leaders when announcing their intention to introduce LVT is very important. A firm announcement well in advance of the planned nationwide implementation will trigger the necessary research and greatly assist detailed design of the tax.

Although history never quite repeats itself, the history of LVT in Britain shows that it is possible to compromise too much. The Lloyd George proposals were so weakened by the Liberal Government's battles with the House of Lords that the eventual Finance Act provisions were a travesty of what he had originally intended. Although the nature of opposition to LVT ninety years on is very different, it would still be quite easy for pilots to be so hedged about with exemptions and complications that they were doomed to failure. Pilots allow Government to sensibly limit the political and economic risks attached to tax reform but they should not receive any less political and official attention than full outright implementation of the tax.

Tax reform is at its most vulnerable in the early stages of pilots. There are bound to be problems for some interest groups: some will lose out and those charged with administering the tax inevitably undergo stresses involved with changing their practices. It is therefore most important that the problems unique to pilots are isolated and not attributed to LVT as inherent to the policy, especially if it is intended as a nationwide tax.

In summary:

2. Pilots must be carefully chosen and designed, with initial flexibility but also with clarity of purpose and resolve. Political leaders must give adequate resources to enable careful monitoring of all pilots and set a sufficient time scale for them to be effective. There must be national and local champions for the policy, preferably in all parties.

Even if we had concluded that a 'pepper-pot' implementation of Smart Tax at local level only, perhaps in various forms, was desirable, we would have to address the issue of how to persuade legislators at national level to allow it to happen. Because of the PA state constitution, the battle for more LVT is currently only being fought there at local level.

There is no prospect of LVT as a state tax. The state-level debate was resolved when the Boroughs Bill of 1998 was enacted. The political task now in PA is to get cities to support each other in persuading local councils and mayors to adopt split-rate.

The task is different in the UK. No part of the United Kingdom (excluding territories like the Channel Islands) has tax automony, so that a considerable amount of political activity is necessary at national level, in and around the four Parliaments and Assemblies, if any pilots are to be allowed. Given the constant pressure on legislative timetables, LVT campaigners may have great difficulty gaining the first necessary objective: enabling power for individual local authorities to implement a pilot and actually levy a new tax on land owners. City leaders who see the benefit of LVT need to get their own business leaders to lobby at the national level for enabling legislation.

There is a precedent: The London County Council Bill of 1938. This was only a 'ten-minute rule bill,' which means that it never had a chance of reaching the statute book and merely had a short debate in the Lower House. But it does provide a template for Parliamentary draughtspersons to adapt. It states what would be the subject of taxation and describes some of the transitional measures needed to establish SVR. Wilks (undated, post-1974) refined the 1938 Bill's definition of site value and also acknowledged that much more work is needed on transitional measures and the link to the planning system.

The LCC Bill came at a time when there was still a strong memory of earlier Land Campaigns. It helped to galvanise a substantial number of MPs and thousands of activists who knew about Henry George: Lloyd George was still alive! It did not need to be as subtle and gradualist as perhaps, from the PA experience, we would need to be today. It also came decades before the situation in Britain was complicated by the scrapping of rates and the replacement of Community Charge with **two** local property taxes. Nor was there then such a large proportion of the electorate who perceive, as now, that their future wealth depends on a continuing rise in house prices.

Although the LCC Bill remains a useful document for technical drafting, the PA legislation is perhaps even more useful. We should learn from the experience of PA and from our own surveys that show nobody believes a 'new tax' will replace any existing ones and that a gradual, revenue neutral change to LVT is essential, whatever level of government or ultimate tax rate is assigned.

The conclusion is:

3. Legislation for pilots of LVT must include clauses preventing it from being used as a cover for overall tax increases. Areas with pilots must be ring-fenced from their neighbours. Pilots should only involve replacement of UBR with LVT.

Realistically the only political opportunity for introducing LVT in the UK at this time under a Labour Government is through the BIDs scheme set out in the Local Government White Paper for England & Wales. This can be seen as a pitifully small amount of tax to be worth the effort and some campaigners would rather concentrate their efforts on Scotland, where the debate is more advanced, or on a London-wide Smart Tax to fund transport infrastructure. However surveys show a very high level of mistrust by businesses towards local authorities and if it is UBR that is to be replaced with LVT then the business community should have a say in how it happens. The White Paper sets out an appropriate mechanism for Partnerships to draw up and agree Rules for BIDs.

The problem with BIDs—and with a London Smart Tax—is that these could easily become additional taxes, not substitutes for existing taxes. BIDs imply additional services funded from extra revenue, which Government says will primarily be raised through supplementary business rate but could also include voluntary property owner payments. But if there is to be maximum flexibility, as Government claims, an innovative approach might be to ask for BIDs to have powers to **vary** (i.e. possibly reduce) business rates, while also allowing a (preferably compulsory) Owners Levy (LVT).

If local businesses, the local authority and property owners agree, why should they not be allowed to have an entirely different property tax mix within BIDs? Nobody could deny that reducing business taxes ought to improve business prospects, which is surely the essence of a Business **Improvement** District! So long as the amount of revenue contributed to the national UBR pool from within the BID area is the same as it would have been without the BID, who can complain if it is made up of a mixture of BID Owners Levy and NNDR? The local council, as billing authority, will have to adjust bills for BID business taxpayers in any case, so it will be no different if they have to adjust bills downwards. It should be no harder to identify owners of property within the BID than to identify business occupiers. Having identified owners, who would presumably have a vote in the BID proposals, they could easily be billed.

Necessity can be turned into a benefit. Having just a few BIDs as LVT pilots gives all the potential advantages of a geographic spread of pilots, covering a range of types of local authority and economic condition. It also reduces the cost (smaller areas) and complications (BIDs would be mainly, if not entirely, made up of business districts with few if any Council Tax-paying residential sites), while forcing councils into intensive consultations required under proposed BID legislation. Local monitoring of LVT pilot BIDs would be made easier, because the BIDs initiative will already be subject to intensive Government monitoring. It may even be possible to find 'control' areas within the same local authorities, where one BID is 'Smart' and others are not.

Even if lobbying for a compulsory Owners Levy fails, there will almost certainly be BIDs that use the voluntary option which Government recommends in the White Paper. This means that a method of assessing liability for payments towards BID funding by property owners needs to be devised, whether it is for a tax or not. Almost all of the technical aspects of LVT therefore need to be resolved now, irrespective of whether legislation for LVT follows the introduction of BIDs.

4. The Government's White Paper proposals for BIDs already indicate a need for devising Owners Levy assessment and payment methods. The IRRV, Local Government Association and British Chambers of Commerce must jointly prepare for this, while lobbying Government to allow for this Levy to be compulsory and for the power to vary (not merely add to) NNDR within BIDs.

In any case, for there to be LVT there will have to be primary legislation to create a new taxable entity: the beneficial owner of land. Within Stage 3 of this Lincoln Fellowship there is provision for a specialist lawyer to look at what scope such legislation would need. Conceivably, for pilots—especially BID pilots—the details could be left to secondary legislation and limited to pilot areas. Part of the function of pilots would be to allow any and all legal issues to surface, so that all-encompassing legislation would follow when the decision on nationwide implementation is made after the pilots have been in operation for several years.

Different laws will be needed in Scotland and Northern Ireland. Depending on the way devolution in England develops and the nature of anticipated changes in the planning system, there may need to be a much more far-reaching study of property, tax and local finance law before LVT could be fully implemented: housing, benefits, environmental protection and probate law could easily be affected.

5. A new legal taxable entity of Beneficial Ownership of Land needs to be created before there can be LVT in the UK. Pilots of LVT should not be delayed while the full legal implications of LVT are investigated.

Practical Aspects

In all the above conclusions, there is a distinct difference between this country and most others, especially PA. We cannot look to any other country with a similar constitution that has implemented LVT—with or without pilots—in living memory. The recommendations that follow are less to do with radical politics and more to do with detailed practicalities, although to a large degree they still follow from unique British political conditions. They cover uncharted territory and, like all explorations into the unknown, the details will need to be filled in as we go along. There are sound bases for planning most of the component parts of a ‘blue-print’ for LVT but the figures will remain inexact until much more work has been done, including some actual levying of the new tax.

Introduction of LVT requires complete reform of the rating system, not just amendment of existing laws. It would be sensible not to require rating professionals to continue, beyond the LVT pilots, to operate both the present system of taxing occupiers and a new one based on taxing owners. Government should commit to funding the training of a cadre of land valuation experts to carry out pilot land value assessments and advise on the decision for national implementation. To assure the public of the highest standards of professional probity, VOA should take charge of the pilot land valuations.

The transition stage of moving from the present occupier-based system to LVT could see the end of UBR revaluations much earlier than the end of the collection of rates based upon the most recent revaluation (see Appendix 3). Rates might continue for ten or fifteen years, steadily reducing in yield as LVT produced a correspondingly greater yield from increasingly reliable land value assessments.

It may be that the high level of appeals against UBR is endemic to the present rating system in a modern, fast changing economy. To significantly reduce the cost of appeals, more frequent revaluations will be necessary. It will almost certainly be easier and cheaper to switch to LVT at the same time as moving towards annual revaluations. No re-engineering of VOA IT systems should be undertaken until LVT pilots have been analysed and reported upon to ministers. The new LVT system should then shadow the old one before being introduced nationwide, to retain the consistency and professional high standards that VOA have shown in the past.

CDPs and self-assessment by owners could quite easily be used to help VOA achieve the initial national land valuation, which would then be improved upon as the property market became more active as a consequence of LVT. The land valuation lists should be expressed in rental terms, although both capital and rental market prices will be used in the VOA model. Data confidentiality should be preserved while transparency is maximised, using the landvaluescape concept and NLIS to help improve public acceptance and understanding of LVT.

6. VOA could use pilots of LVT to devise appropriate land valuation methods before the 2005 NNDR revaluation, which could be the last of an occupier-based rating system. VOA should then, if the pilots are successful, move within ten years to a fully computerised rolling system of land valuation, integrated within the NLIS.

All existing exemptions from UBR and Council Tax based upon type of land use should be phased out. Land with full public access and no revenue potential for its owners should be exempt and agricultural land could be left outside the rating / LVT system (zero rated but not exempt by law) until full CAP reform. Mandatory exemptions for empty buildings and vacant sites must end even before LVT pilots come into effect. It could be left to the discretion of local authorities to give partial exemption for certain types of developed land use, such as second homes and land with planning permission for higher value use.

In general, these extensions to the property tax base should not be used to increase the total tax take. The way they interact with existing taxes is not relevant to this research but the continued existence of exemptions near pilot areas will distort the market in those areas. This research is predicated upon the assumption that there will be no exempt land (other than land **used** for agriculture, housing or public access) when LVT is introduced.

In the longer term it might be possible to replace Council Tax with LVT, perhaps with a ‘homestead allowance’ for basic living space. However this research does not look in detail beyond pilots and for reasons given it is advisable to restrict pilots to commercial land. Where land occupied by primary residences is designated for commercial uses, the switch from Council Tax to LVT will be triggered by any change of occupier.

7. Implementation of LVT should be accompanied by removal of existing exemptions from UBR and Council Tax. Transitional exemptions may apply in hardship cases to individuals only, not to whole categories of land.

It is a moot point at what rate LVT should first be introduced. If the experience of PA is anything to go by, a modest reduction of only ten pence in the pound (about a fifth) of UBR will, if accompanied by a corresponding levy on vacant and under-used land, result in significant (about 15 percent) growth in local construction activity. For the economic effects of LVT to be seen as quickly as possible, the tax shift should be carried out as fast as possible. Two factors suggest caution however: unknown quality of initial land value assessments; and the capacity of the property market to respond to the tax 'stick.' Until pilots are under way, we will not be able to tell whether these factors are impairing their success.

The recommendation of Hartzok (1997) for PA Smart Tax cities is for a steady shift of tax burden off improvements onto land over five years, in roughly equal stages. For the LVT pilots, this should be the aim, assuming continued local support from those affected. Depending on the results, the rate of shift from UBR to LVT could be faster or slower during the national rollout of the policy. Most probably, a ten-year overall time frame for implementation of LVT is realistic.

As far as possible, local communities should be in control of the detailed implementation of LVT pilots in their own areas. Government should invite local authorities to submit proposals for 'Smart'-funded BIDs. Consultation with interest groups should begin as soon as possible, even before legislation is tabled, to enable the most suitable areas to be chosen and the most appropriate and locally acceptable rules and procedures to be adopted. The BID Partnership model looks like offering the best framework for planning and managing LVT pilots, with business groups and local councils equally represented. Noncommercial community groups should also be fully involved.

The role of Government and its national agencies should be to provide guidance and coordination, as well as funding, to ensure that a coherent overall programme of pilots results and is fairly and accurately reported on to ministers. With a nationwide decision on LVT as the aim, it is important that the wider national interest and extrapolation of pilot results to produce national cost and benefit figures are the responsibility of national agencies.

8. Local consultations in at least one city wishing to pilot LVT should begin as soon as possible, with a view to agreeing the extent and scope of the pilot (subject to Government approval). If the current Liverpool pilot land valuation proves viable, Smart Tax could be levied there by 2005. Pilots should be locally controlled but nationally coordinated and a nationwide decision and implementation ought to be possible well before 2010.

Finally, where should Britain look for models of how to pilot Smart Tax? Our visit to PA showed us that cities which have it do not think of it as a pilot policy but as a policy simply for their city. We can learn something from cities that have very recently undergone—or are currently undergoing—transition, because the process of persuading citizens to change the property tax base is pretty much the same anywhere.

But the end-state of a nationwide tax shift has happened hardly anywhere. If there is a model, then it is probably much closer than America, in Denmark. A British Commonwealth country like Australia or New Zealand would also be worth studying because of the similarities in law: Victoria has possibly the most modern systems for property tax, including the use of value maps. While politicians and regeneration specialists look across the Atlantic, perhaps to Philadelphia more than anywhere, to learn why a tax shift is necessary and how to persuade society at large to undertake it, tax administrators would be better advised to cross the North Sea and GIS specialists cross the globe.

The PA Study Tour should be followed up as soon as possible by others visits by property tax professionals and politicians. These should generally be for at least a week in each case and be by only one or two people of similar background and expertise. The target countries from which most can be learned are not only those mentioned above but possibly also the Baltic States where LVT has recently been introduced for the first time.

9. Pennsylvania's existing 'Smart Tax' cities can teach UK little about how to introduce LVT. Philadelphia's current experiences are relevant, especially for local politicians in Britain, but much more can be learned from Denmark about how LVT could operate as a nationwide tax. Victoria, Australia should be visited because its LVT systems are undergoing modernisation and its laws closely resemble those of the UK.

Dissemination

This section refers to Section D of the Fellowship bid document. It describes how the various mechanisms proposed for disseminating progress and findings of this work were in fact used or are to be used.

Website

A separate site was created by HGF for 'Smart Tax' proposals and discussion. www.smarttaxbook.cjb.net was launched in December 2000 after the conference at which the draft Stage 1 report was published. It is linked to the main HGF site. The draft Stage 2 report will be placed on this site in May 2002. In addition, regular reports have been emailed to a list of those who have expressed interest in the Liverpool pilot of LVT.

The number of hits at the HGF websites has steadily increased to about 100 a week but is being reviewed by HGF. It is hoped that Liverpool City Council and other interested parties will place hot-links from their sites. So far the amount of discussion and number of queries about the project has been disappointing: only about ten received via the website altogether.

Newsletter

HGF's newsletter ***Progressive Forum*** has been produced regularly four times a year throughout the Fellowship project and has included progress reports to members. This now reaches some 250 individuals and organisations in several countries.

The Liberal Democrat Party's LVT campaign group ALTER has its own quarterly newsletter ***Landscape***, which has carried reports of the Liverpool pilot LVT initiative in most issues. This goes to about 100 people.

Video

Disappointingly no video has yet been produced, for reasons explained above. The intention is to produce a video in Liverpool, to use in Stage 3. The video ***Tale of Five Cities***, produced in the 1980s for an American audience, was found to have been converted to UK format and was shown to over 100 at the Liverpool conference on February 22. Parts of it will be incorporated in the new video for UK, unless colleagues from PA can produce new footage in time.

Seminars

The only seminars held as part of Stage 2 were for small, professional audiences. It was decided that until land valuation data of their own city was available, a general audience of property tax stakeholders would not justify spending time at a seminar on the subject. The LCCI seminars in Summer 2001 were only a partial success.

Shortly after the Award of a Stage 2 Fellowship, the author was asked by Kingston University London's Head of the School of Surveying to consider enrolling as a PhD student to develop the GIS aspects of this work. Part of the deal was that occasional lectures will be given to students on undergraduate and postgraduate degree courses about this research programme. Two short seminars to faculty staff at Kingston University have already been given, following acceptance of a Research Proposal linked to this Fellowship in October 2001.

Conference

The conference on February 22, 2002 was a great success by all accounts. Thanks to sponsorship matching that from Lincoln Institute obtained by October Communications from a locally based international management consultancy, MACE International, nearly 2000 programmes mentioning this Fellowship were distributed, mainly in Merseyside to property and regeneration professionals. The editor of the Liverpool daily newspaper ***Liverpool Echo***, personally addressed the conference, having given space to several feature articles on LVT preceding the conference, beginning with a two-page spread the day after the Stage 2 Award was announced on November 16, 2000.

The conference programme included a wide range of speakers, including three of the Study Tour members (Kane, Reilly and Vickers). Cochaired by the local MP, Louise

Ellman, who has since written to the DTLR minister for regeneration commending the work under this Fellowship, it also featured an adviser to the House of Commons committee that deals with local finance and urban affairs, a leading barrister and authority on local finance law, a professor of architecture from Liverpool University and Professor Peter Brown (also a Lincoln Fellow), who unfortunately could not speak.

Three of the key figures from PA were included in the programme: Jonathan Saidel was represented by one of his former economics team at Philadelphia, Eli Massar; Harry Finnigan of PDP (now at Winnipeg CA) gave an excellent presentation most relevant to BIDs; Ted Gwartney, now of Bridgport CT lectured on the techniques of land valuation.

Over 100 delegates registered for the day and received copies of the draft Fellowship report. The conference was reported on very favourably, in particular by the internet version of ***Construction News***, which is supposedly read by over half a million in dozens of countries: it has a Chinese language edition!

Unsolicited invitations came specifically to speak about this Fellowship at major conferences and were accepted from the IRRV Scotland, in Glasgow on September 5, 2001 (Vickers, 2001a) and from the University of Ulster and Northern Ireland Executive for “GIS2001” in Belfast on November 14, 2001 (Vickers, 2001b). Two more invitations, this time to present papers at international conferences, came after approaches made to the organisers by way of abstracts of papers: the Third Global Environmental Taxation Conference (GETC3) in Woodstock, VT on April 12, 2002; and the XXII Congress of the Federation Internationale Geometrique (World Congress of Surveyors—FIG2002) in Washington DC April 24, 2002. The paper for GETC3 (Vickers, 2002b) may not be published until mid-2003 but the paper for FIG2002 is published on CD-ROM with the proceedings of the Congress (Thurstain-Goodwin & Vickers, 2002).

Journal articles and books

Following on from Stage 1, several property journals have continued to feature occasional news items and short features on the Fellowship. HGF’s regular news releases usually mention the Liverpool LVT pilot and Lincoln Institute and have resulted in several commissioned articles on the subject. No systematic list of these has been kept but HGF maintains a press cuttings file.

The book commissioned by Lincoln Institute for Owen Connellan and Professor Nathaniel Lichfield to write about LVT in Britain will contain two chapters by this author, which are almost entirely drawn from the work in this Fellowship. Part of a chapter in a textbook on sustainable construction (Carpenter et al, 2001) was written by this author in 2000 and included reference to this Fellowship. It is aimed at undergraduate civil engineers worldwide.

Endnotes

[1] The Scottish Parliament's Inquiry into Local Government Finance, begun on January 2001, reported in April 2002. Its terms of reference specifically included LVT. At the time of writing, a copy of the report has not been seen but the author has been told that the Inquiry failed to accept the evidence submitted by the Scottish Land Reform Convention and others in favour of LVT. The Scottish Executive, when it was elected in 1999, undertook to initiate a comprehensive review of the impact of LVT on the economy during the first Parliament, which ends in mid-2003.

[2] BIDs are almost certainly going to happen in UK, because the European Commission (EC) has ruled that the main existing method used by the UK Government to fund regeneration of cities is anti-competitive and therefore illegal. Since the EC made this ruling in 2000, no attempt has been made by UK to challenge it. The so-called Special Regeneration Budget (SRB) arrangements will end in April 2005, therefore alternative funding has to be found by then.

[3] Where capital value is the basis of a property tax, the poundage will be some ten times lower than where the tax is based on rental value. In the US, the tax rate is usually expressed in mils, where ten mils equal one percent. In the UK, property tax rates as expressed as percentages or as pence per pound (£1 = 100p) of rateable value, hence 'poundage.' On average, the rental value of real property is between seven and fifteen times less than its capital value, depending on interest rates and investment (income) potential at the time.

[4] Devolution for England moved a small step closer as this report was being finalised. On May 13, Deputy Prime Minister John Prescott announced to Parliament that the Government will introduce flexible proposals for elected Regional Assemblies. Details of these proposals are awaited but they are unlikely to involve tax-varying powers.

Bibliography & References

Barr, R. 2002. *Choosing the best route for OS* in "GI News" (April/May): 35-39.

Cahill, K. 2001. *Who Owns Britain?* Edinburgh: Canongate.

Connellan, O. & Lichfield, N. 2000. *Land Value Taxation in Britain for the benefit of the community: proposals for legislation and practice*. Boston, MA: Lincoln Institute of Land Policy.

Day, P. 1995. *Land* Brisbane: Australian Academic Press.

DCED. 1998. *Fiscal Management Handbook* Harrisburg, PA: Governor's Office.

DCED. 1999. *Taxation Manual* Harrisburg, PA: Governor's Office.

DCED. 2000. *Citizen's Guide to PA Local Government* Harrisburg, PA: Governor's Office.

DETR. 2000a. *Modernising Local Government Finance*: a green paper. London: The Stationery Office.

DETR. 2000b. *Our Towns and Cities: The Future: Delivering on Urban Renaissance.* Cm 4911 Urban White Paper. London: The Stationery Office.

DTLR. 2001. *Strong Local Leadership—Quality Public Services* Local Government White Paper. London: The Stationery Office.

Edwards, A. 2001. *HM Land Registry Quinnennial Review*, London: The Stationery Office.

Friedland, J. 2000. *Bring Home the Revolution* London: Fourth Estate.

Gloudemans, R. J. 2001. "*Key Issues in Land Valuation*" (Paper for David C Lincoln Fellowships Symposium on LVT). Boston: Lincoln Institute for Land Policy.

Gwartney, E. 1999. *Estimating Land Values* paper presented at conference Arden DE http://www.henrygeorge/ted/htm New York: Robert Schalkenbach Foundation.

Hartzok, A. 1997. *Pennsylvania's Success with Local Property Tax Reform: The Split-Rate Tax* American Journal of Economics and Sociology 56(2): 207-214; New York: Robert Schalkenbach Foundation.

Hudson, P. R. 1975. *Administrative Implications of Site Value Rating* London: Land & Liberty Press.

IAAO. 1990. *Property Appraisal and Assessment Administration* Chicago: The International Association of Assessing Officers.

Jacobs, M. 2000. *Paying for Progress: a New Politics of Tax for Public Spending* (Report of the Commission on Taxation and Citizenship) London: Fabian Society.

Josten, R. 2001. *Land Value Rating: A Possibility to Reform the German Property Rates* Journal of Property Tax Assessment & Administration 6(3): 63-79.

Müller, A. 2000. *Property Taxes and Valuation in Denmark*, paper for OECD seminar Vienna.

Oates, W. E. & Schwab, R. M. 1997. *Urban Land Taxation for the Economic Rejuvenation of Center Cities: The Pittsburgh Experience.*

Oshitani, S. 2002. *Towards Sustainable Taxation* London: Progressive Forum.

Plassman, F. & Tideman, N. 1999. A Markov Chain Monte-Carlo Analysis of the Effect of Two-Rate Property Taxes on Construction Journal of Urban Economics.

Reduce The Use. 2001. *Land Value Tax Survey & Report* (unpublished) for The Progressive Forum, London: Henry George Foundation.

Riley, D. 2001. *Taken for a Ride: Trains, Taxpayers and the Treasury* London: Centre for Land Policy Studies.

Rogers, Lord R., et al. 1999. *Towards an Urban Renaissance* Report of the Urban Task Force, London: E&F Spon.

Simes. 1952. Committee of Enquiry: The Rating of Site Values London:HMSO.

Thurstain-Goodwin, M. & Vickers, A. J. M. 2002. *Visualising Landvaluescape without a Cadastre* paper for the XXII FIG International Congress. Copenhagen: FIG.

Tsai, C. Y. 2001. *Land Taxes in Taiwan: Problems, Impacts and Reforms* Journal of Property Tax Assessment & Administration 6(3): 81-108.

Vickers, A. J. M. 2000a. *Preparing for Land Value Taxation in Britain* Working Paper WP00AV1, Boston MA: Lincoln Institute of Land Policy.

Vickers, A. J. M. 2000b. *Questions around The Smart Tax* London: Henry George Foundation and www.smarttaxbook.cjb.net.

Vickers, A. J. M. 2001a. *Site Value Rating: Is It a Viable Alternative?* Unpublished paper presented at GI2001 Conference, Belfast (November).

Vickers, A. J. M. 2001b. *Unlocking Geospatial Economic Patterns*. Unpublished paper for the Third Global Conference on Environmental Taxation, Woodstock, Vermont.

Vickers, A. J. M. 2002a. *Lessons from The Smart Tax* London: Progressive Forum.

Vickers, A. J. M. 2002b. *From Zee to Vee* unpublished paper for the Third Global Conference on Environmental Taxation, Woodstock VT.

VOA. 2000. Report of the 2000 Review of the Activities of the Valuation Office Agency London: The Stationery Office.

Wilks, H. M. undated. *Some Reflections on the Second Valuation of Whitstable* London: Land & Liberty Press.

Wilks, H. M. 1974. The Rating of Site Values: Update of Report of Pilot Survey at Whitstable. London: Land Institute.

Wilks, H. M. 1964. The Rating of Site Values: Report of a Pilot Survey at Whitstable. London: Rating and Valuation Association.

Appendix 1—Demonstration Map Graphics

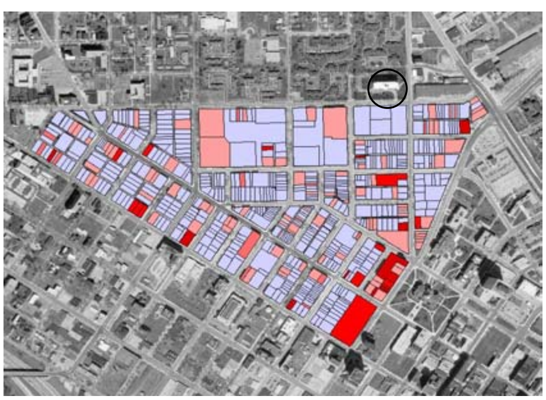
Note: The following graphics are a selection of those used for various purposes during this project to demonstrate the potential of the Landvaluescape concept. The data was supplied by Lucas County Ohio's Chief Assessor /Auditor on his Department's AREIS CD-ROM, free of charge. The graphics were produced by Mark Thurstain-Goodwin at the Centre for Advanced Spatial Analysis (CASA) of University College London (UCL).

Slide 1 This is Downtown Toledo, Ohio, just a fraction of Lucas County. The data includes all land parcels, roads, land use zones, land and building values and parcel areas, as well as black-and-white aerial photography, here used as a back-drop. Notice a large river bottom right and freeway bottom left. Note also the building circled towards the top right.

The gross building-and-land values for every property have been averaged for a 'moving window' area, thereby smoothing the pattern of variations. This produces a regular grid of mean property values, which is then processed to give 'contours.' The 'layers' of value bands are then coloured: the highest values are dark red, reducing to pink, with low value areas unfilled so that the background can be seen.

The contour lines are deliberately ragged or 'dithered', so there is no mistaking that the precise value at any point is merely indicative. This slide is designed to enhance the central business district (CBD)of a city. Toledo has a 'satellite' CBD to the northwest of the downtown area.

Note the gap between the two main commercial and retail districts.



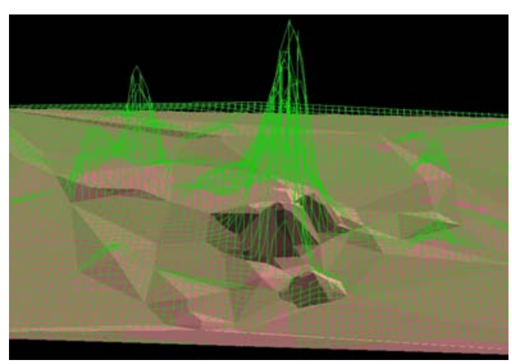
Slide 2

We have zoomed in on this area between the CBD and the NW satellite business district. Imagine this as a prospective BID. Note the same building circled near the top of the picture.

Values for each parcel of land include land-and-buildings added together. Dark red still denotes highest values but low values are in white. There is a slight pattern but not much: high value buildings obscure the underlying 'landvaluescape.' If we removed the white infill from the low value sites, we might see from the air photo some clues as to the reasons: dereliction or vacant sites used as car-lots.

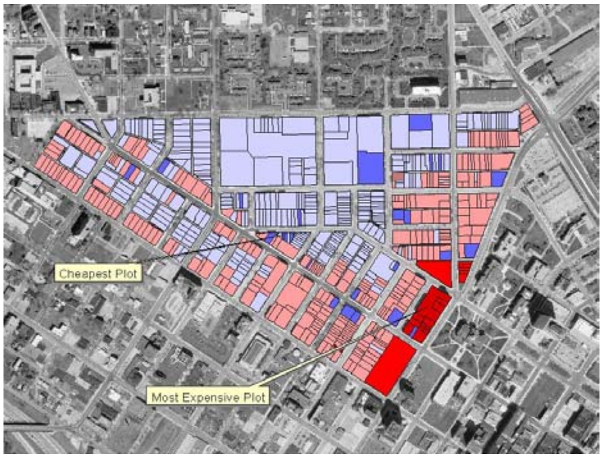
Slide 3

This is the third main generic type of landvaluescape graphic, simulating a '3D' view of property values. Here you have a green lattice framework of building values draped over a solid pink surface in this orthogonal view from the south of the city. This is the same area as in Slide 1. It shows the relative values of CBD and other parts of the city better than colour can.



Slide 4

Now we are looking at just the site/land values. A pattern emerges, with higher values along certain roads. In the UK there is no systematic collection of land/site values, as happens in much of the US, Australia, Denmark, South Africa and a number of former Communist Eastern European countries.

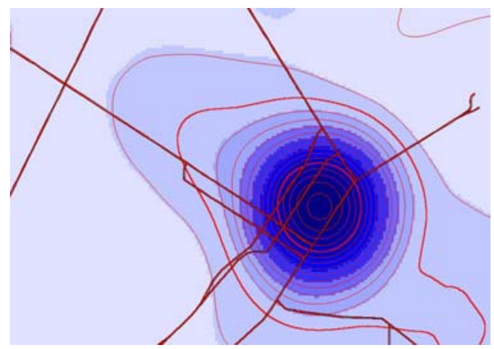


This is exactly the same area as slide 2 but the lower value **sites** (excluding improvements / buildings on them) are denoted in blue. From the corresponding table of properties that goes with the map data it is possible to identify the highest and lowest value sites, which are annotated here.

Slide 5

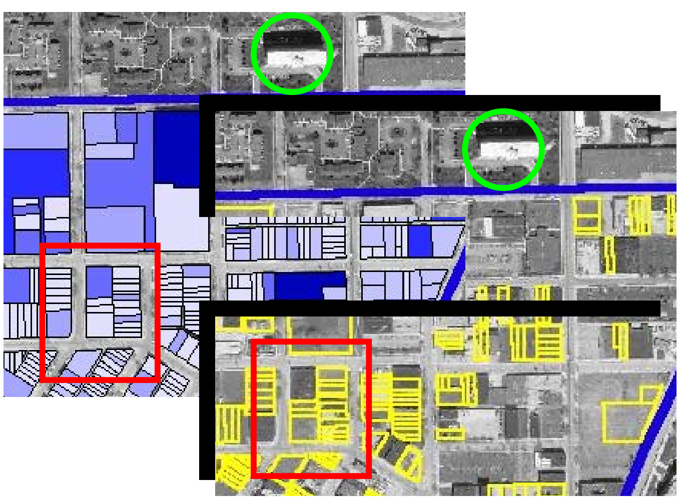
This shows that roads could be combined with land values in a different way, similar to slide 1 only leaving off the air photo backdrop. Here the main roads are plotted going through the CBD and it is just **site** values that are processed in the way gross property values were in slide 1.

A different smoothing algorithm is used here. All such algorithms have their advantages and disadvantages, according to how they are used. Since property value assessment is a subjective business in any case, it is felt that any process which deliberately smooths the supposedly 'true' (assessed) values is actually adding to the utility of those values in aggregation.



Just as everyone knows that a contour map is not attempting to represent ground levels with any great precision but is merely enabling people to visualise the broad shape of topography, so a 3D landvaluescape 'contour' product is helping people understand their economic environment.

Intermediate contours are used to show the changes in land value away from the CBD.



Slide 6

GIS was used to demonstrate how the use of LVT would affect well-developed and under-developed sites. Sites with zero building value (vacant sites) are here high-lighted in yellow outline. The green circle outlines the same building as in previous slides. The thick blue line is the edge of the 'BID.'

To show the impact of different rates of tax on land and buildings, various scenarios were run assuming a constant total revenue take from the BID area. The view behind was the 'pre-BID' scenario, where vacant sites paid **no** tax (as in the UK) or very little (as in US). A 'flat-rate' tax shows the heaviest burden (dark blue) on the site with the tallest building (seen from the shadow it casts in the front photo). A scenario run with 50% of the total tax taken from land values showed that developed sites paid much less tax and vacant sites much more tax, giving their owners an incentive to develop. The correlation between vacancy and tax burden is especially clear for the sites inside the red rectangle.

Appendix 2: Stakeholder Opinion Surveys

Note: Surveys in 2001 were conducted face-to-face with business owners; in 2000 by post, with responses half from business owners and half from other interest groups.

Comparison between Liverpool interviewees (in bold) Newbury (*italics*)
and postal survey (yr. 2000) responses

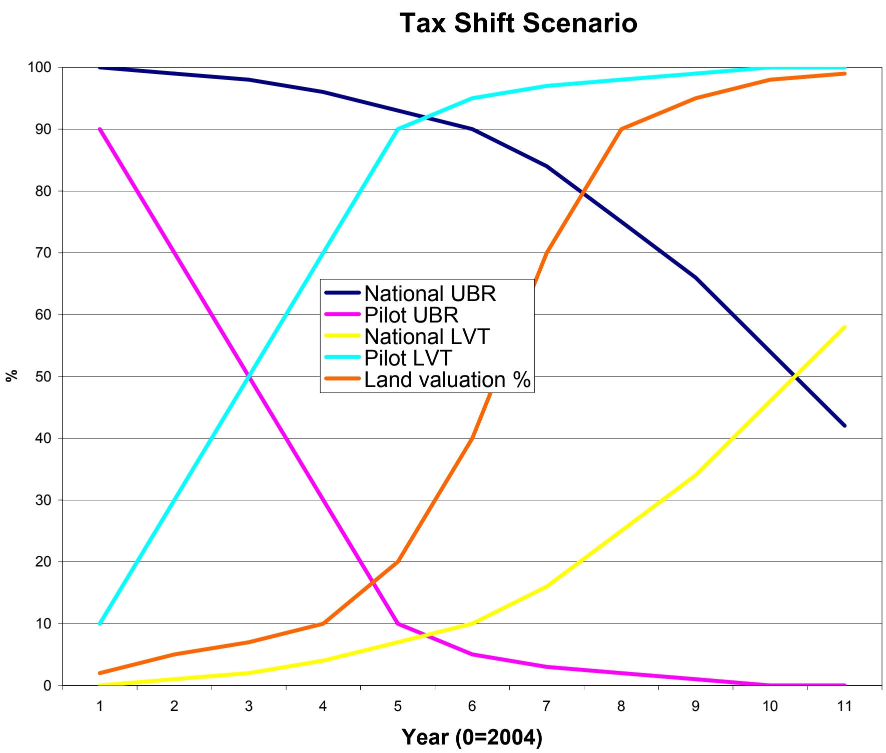
	Statement in full	% responding with				
		1' **agree strongly**	2' **agree slightly**	3' **don't know**	4' **disagree slightly**	5' **disagree strongly**
1	Newbury *"No business should pay higher tax purely as a result of making improvements to its property."*	*84* 51 **88**	*4* 22 **2**	*4* 7 **0**	*8* 15 **0**	*0* 5 **10**
2	*"Vacant and derelict land and buildings ought to be taxed on the full potential use of the site, according the Local Plan."*	*36* 20 **63**	*24* 29 **9**	*12* 11 **12**	*4* 19 **1**	*24* 20 **15**
3	*"A property tax ought to primarily reflect the ability of the occupier to pay, rather than the value of the land."*	*36* 27 **43**	*4* 14 **8**	*16* 10 **15**	*8* 29 **11**	*36* 19 **23**
4	*"Local councils should be allowed to introduce any new tax that they can persuade those affected locally to vote for in a referendum."*	*12* 13 **19**	*8* 26 **14**	*16* 12 **8**	*12* 18 **7**	*52* 31 **52**
5	*"Land owners ought to pay a heavy tax on the 'windfall' profit they get from planning permission."*	*8* 27 **29**	*20* 35 **14**	*24* 12 **17**	*12* 12 **3**	*36* 15 **37**
6	*"A one-off tax on property development is fairer than an annual tax on land values."*	*8* 15 **30**	*20* 21 **7**	*24* 26 **36**	*12* 23 **5**	*36* 14 **22**
7	*"Owners of land and businesses that are blighted by development ought to be compensated by those who cause the blight."*	*76* 39 **97**	*16* 43 **2**	*4* 9 **0**	*0* 3 **0**	*4* 5 **1**
8	*"Taxing land according to its market value, whether or not it was in use, would encourage urban renewal."*	*48* 21 **70**	*16* 43 **9**	*28* 21 **9**	*4* 6 **3**	*4* 9 **9**
9	*"An annual tax based on land values would assist Sustainable Development."*	*28* 12 **37**	*24* 32 **18**	*44* 40 **38**	*4* 9 **1**	*0* 6 **6**
10	*"A land value tax would be passed on by land owners to occupiers, so that businesses might go elsewhere."*	*24* 21 **40**	*24* 39 **16**	*16* 26 **22**	*0* 10 **5**	*36* 3 **17**
11	*"Unlike other taxes on production LVT is really just a 'use charge' – for something that the community created, not the land owner."*	*32* 9 **59**	*28* 36 **12**	*32* 28 **20**	*0* 19 **3**	*8* 8 **6**
12	*"LVT would need to be piloted in one or two areas first, before any decision could be made about the rest of the country."*	*76* 49 **76**	*20* 31 **9**	*4* 9 **4**	*0* 7 **2**	*0* 4 **9**
13	*"LVT should be levied and redistributed centrally, to help even out the huge differences in tax base between local authority areas."*	*40* 13 **50**	*24* 37 **10**	*12* 30 **11**	*8* 12 **5**	*16* 8 **24**
14	*"If LVT works in other countries (like Denmark or Australia) then it ought to work here."*	*16* 10 **29**	*20* 32 **14**	*44* 31 **21**	*4* 16 **23**	*16* 12 **13**
15	*"I don't believe government would use LVT to replace other taxes; it would just be yet another tax."*	*52* 41 **68**	*28* 33 **12**	*12* 18 **14**	*4* 6 **3**	*4* 2 **3**
16	*"Land value maps ought to be part of a national land information service, bringing together data sets held by many public agencies."*	*44* 46 **64**	*40* 38 **22**	*8* 12 **3**	*4* 1 **5**	*4* 3 **6**

Appendix 3: A Scenario Update for 'Smart Tax'

This table and the diagrams that follow illustrate one possible scenario for future policy development. A similar table was published in the draft Stage 1 report for this Fellowship (Vickers, 2000b), then revised in the light of Stage 2 work (Vickers, 2002a). The diagrams have not been published before now but are based on those presented at the Liverpool conference on February 22, 2002. The author considers that a more rapid rate of introduction is not feasible: even this timetable is predicated upon successful Smart Tax pilots and a significant increase in both political understanding of LVT and the will to implement it.

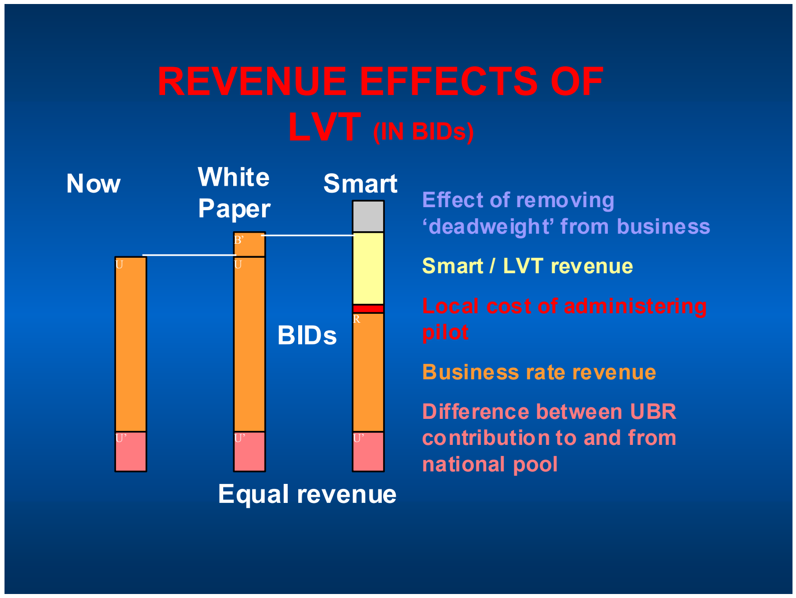
Year / month	Event
2002 / Nov	Trial land valuation in Liverpool enables estimate of cost of national LVT pilots.
Nov	Local Government Bill announced in Queens Speech includes provision for BIDs to opt for LVT and to vary UBR downwards.
Nov	Scottish Executive announces LVT research programme, to include pilots.
2003 / July	Local Government Act enables BIDs to use Smart Tax in England & Wales.
July	HGF/Lincoln publish findings of study showing Jubilee Line Extension land value uplift could have paid for the project with a 20% annual tax on property owners.
April	Liverpool City Council & Chamber of Commerce & Industry endorse Lincoln/HGF Blueprint for a British Smart BID; recommend Government initiates a programme of Smart BID pilots.
June	Lab/Lib Dem coalition returned to power in Scotland with mandate to introduce LVT in place of UBR if pilots prove successful.
Oct	UK Government declares support for LVT as a policy for urban renewal, subject to positive results in pilot BIDs; invites local authorities to submit proposals for Smart BIDs.
2004 / April	DTLR/Welsh Executive publish details of Smart BIDs programme; includes two in London, one in Wales.
May-Nov	VOA supervise land valuation in Smart BID cities, using self-assessment by owners; provisional land value assessments published alongside 2005 UBR rating lists.
Nov	Chancellor announces ending of UBR and Council Tax mandatory exemptions in 2005; UBR poundages adjusted downwards as a result.
Dec	Smart BID Partnerships approve varied UBR/LVT rates for 2005.
Dec	Lord Chancellor invokes clause in Land Registration Act 2002 to require HMLR to complete Register by 2010.
2005 / April	VOA/DTLR report on 2005 revaluation shows little fall in appeal rate/cost; recommends reform of rating system to move to land-value based tax and annual revaluations.
April	SRB funding ends, replaced by BIDs (including some using Smart Tax).
Oct	Labour & Liberal Democrat General Election manifestos both show support for LVT; welcomed by LGA and British Chambers of Commerce.
2006 / May	Labour re-elected with reduced majority; announce immediate review of Barnett and SSA formulae (for grant distribution to nations and local authorities), to include consideration of LVT (as possible replacement for Corporation Tax) used as pre-distributive tax.
June	Scottish Executive publishes findings of study into LVT; recommends replacement of UBR
June	Report on first year of BIDs shows Smart BID cities outstrip others by 20% (using construction industry figures).
2007 / April	Scottish Local Government Act receives Royal Assent, introduces LVT in place of UBR.
May	Proposals for English Regional Assemblies with tax-varying powers published, include recommendation that LVT be used as Regional Tax; Mayor of London endorses proposal.

Year / month	Event
2008 / Feb	DTLR publishes report on Barnett/SSA formulae review; concludes that LVT is most equitable source of regional / national equalisation funding.
March	Chancellor announces cuts in Corporation Tax and Employers' NIC over two years; ending of Stamp Duty; introduction of UK-wide LVT from 2010.
July	Government announces merger of VOA with HMLR and investment in new IT for Valuations & Lands Agency paid for by national (E&W) land tax; target completion 2010; cancels 2010 UBR revaluation.
2009 / June	DTLR reports on BIDs, recommending LVT replace UBR and becomes option to replace Council Tax (E&W); councils will have to pay for revaluations.
2011	Government announces that UBR will be phased out over 5 years, replaced by LVT.
2012	National land valuation complete (apart from some rural areas); annual revaluations start.



The above chart shows how, as Smart BIDs and other LVT pilots are introduced (2005-7), run for about five years, lead to a nation-wide decisions to value land (2008) and collect LVT in place of UBR (2011), the tax shift and land valuation processes progress.

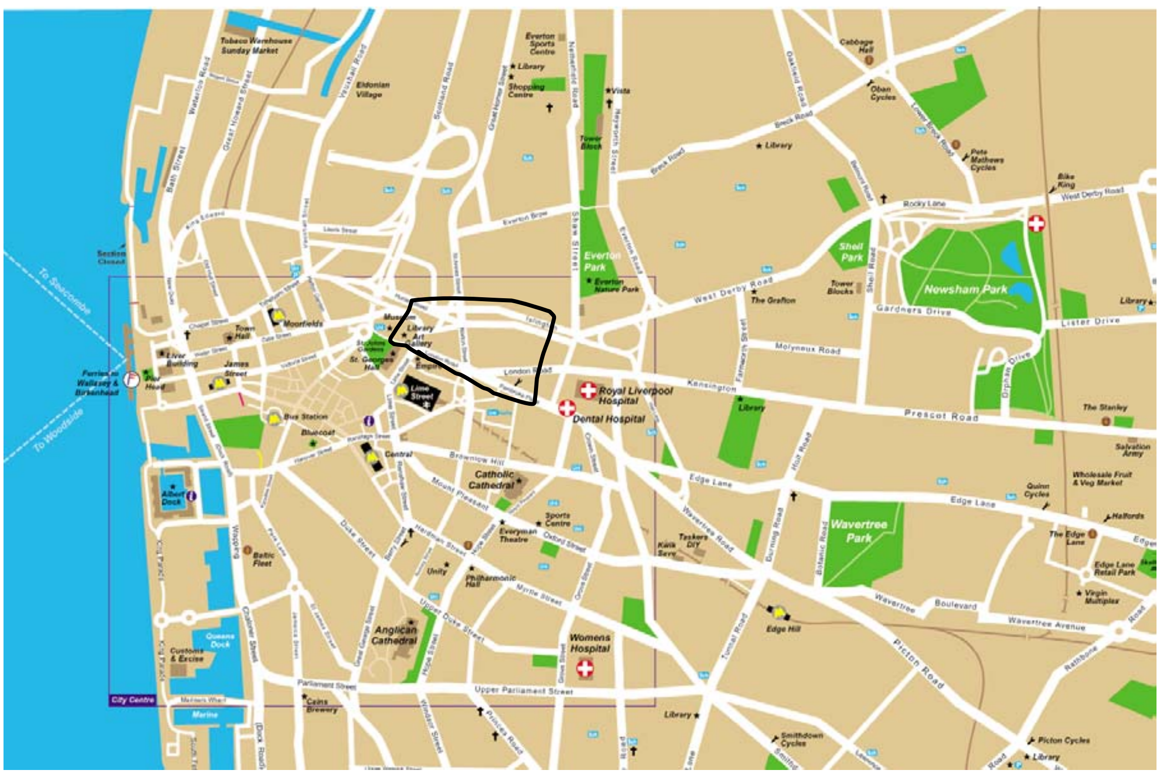
The chart below is an update of Figure 1 in the Stage 1 report, updated to take account of the replacement by Government of its Supplementary Rate proposal with one for BIDs (DTLR, 2001). It shows that a power to **vary** UBR in 'Smart BIDs,' combined with the power to levy LVT in place of part of the UBR, would not only reduce the actual tax burden on business but would stimulate local business activity as a result of removing 'deadweight' tax.



Appendix 4: Liverpool Trial Valuation Area

The area chosen (see below) is on the immediate periphery of the Central Business District (CBD) of Liverpool City Centre. The London Road area is a compact block of land heading east from the city centre. Usage of the area is varied with many Small to Medium Sized Enterprises (SMEs), a large department store, a large public-owned theatre, areas which have been recently re-developed, areas which are under development, buildings which have recently been bought by the University of Liverpool for re-development and areas which are still derelict. There is also some public open space which contains street furniture and there is one arterial route which eventually leads to the main motorway out of Liverpool, the M62. Some of the small retail outlets have private housing on the upper floors and one of the areas which is being re-developed will have the headquarters of a Registered Social Landlord (RSL) on its ground floor and some social and private housing on its upper floors.

The area therefore offers a large range of potential case studies for legal, financial and urban planning problems in relation to introduction of LVT. Indeed this makes it somewhat untypical for extrapolation of estimates of valuers' time and costs, however it was chosen to achieve the fullest possible research benefit at least cost.



Appendix 5: Review of Research Questions

This review takes the form of a look at the Research Questions posed in the Stage 2 Bid / Contract document. It states briefly what answers to those questions have already been revealed by this research and why most of the questions still remain to be answered and/or need to be rephrased. New Questions were then posed for Stage 3 (under way).

---

1. **How would LVT sit alongside other (existing and proposed) policies for urban renewal and countryside conservation, at least during a transitional period?**

UK Government chose not to explain in its December 2000 Urban White Paper why it had rejected a Vacant Land Tax (using LVT principles) from among the many Urban Task Force fiscal recommendations: it simply stated that it believed the policy would not work in all areas.

No evidence was found in project team visits to Denmark and PA that LVT does not work alongside policies of strict zoning (Denmark) or lax zoning (PA). It is impossible to answer the question without both trying the policy in a range of pilot areas **and** having closer dialogue with those who are now helping frame Government proposals in these areas.

The above question is far too large to be answered in this Fellowship. The best that can be achieved in Stage 3 is to focus on a specific small area of a major city that is in need of renewal and to debate locally the likely effects of a tax shift on such an area. Even then, results without **actual** tax shift occurring will merely be indicative and help to frame a further series of questions to be answered by carefully designed research during pilots of LVT.

All the first pilots should be in urban areas, with peri-urban and rural pilots coming later. However there could be Smart BIDs in quite small towns.

New Question 1: How might LVT sit alongside other policies for urban renewal?

2. **What legislation would need to be amended in order to allow LVT to be introduced to Britain?**

Conflicting answers have been given without apparent thought by a few self-styled experts in property law during the project so far. However we are not aware of any research published since the last time Government in the UK legislated for LVT, in 1931.

Almost certainly there would need to be primary legislation to create a new class of property taxpayer: the beneficial owner. It is likely that a considerable range of secondary legislation regarding exemptions from existing property tax (business rates and council tax) liability would be required. We have concluded that it might be counter-productive to introduce LVT without ending almost all exemptions from these taxes currently applying to non-agricultural land. It might be possible for the Welsh Assembly and the Scottish Parliament to legislate without reference to Westminster on the ending of these exemptions, which would help pave the way for LVT.

We believe that it is only necessary at this stage to investigate thoroughly the **scope** (not the detail) of legislation for pilots of LVT. The pilots themselves will reveal what further legislation needs to precede a nation-wide implementation. There are precedents for the legal feasibility of a pilot (non-homogeneous) approach, even with tax measures: e.g. the capping powers of Ministers over local government, pilots of speeding fines being returned to highway authorities and the pilots for charging utility companies for road closures.

New Question 2: What legislation is needed to allow LVT to be piloted in England & Wales?

3. **What resources (staff, information and funding) would be required to establish a local pilot of LVT?**

In none of the cities visited in PA was the cost of administering the tax shift a significant matter. In Denmark it was felt that LVT costs less to administer overall than other property taxes. However there is no example quite like Britain, where we have an incomplete land register and no tradition of valuing land separate from improvements.

The Whitstable studies showed conclusively that introduction of LVT was not an insuperable problem in terms of resources even without computers. However Whitstable also showed, from the reaction by the professions at the time, that it is lack of political will and the conservative attitude of key professions, rather than actual costs, that are the barriers to property tax reform.

New Question 3: What resources are needed to develop & operate processes involved with LVT?

4. **Could a pilot implementation, in a suitable city, be self-financing through the extension of the local tax base?**

Only by a trial valuation and application of practising administrators to the processes involved in using GIS technology will an estimate of resources necessary and extra revenue raised be reliably established. There is every indication so far that the revenue from widening the tax base to include vacant and derelict sites would be more than sufficient to pay for the extra transitional cost of developing LVT procedures alongside those for existing taxes.

New Question 4: To what extent should a pilot LVT project be required to finance itself from extension of the local tax base to vacant and under-used land?

5. **How could early pay-back (economic and political) ensure that local opposition to change would successfully be resisted?**

Evidence from Denmark and PA shows that continuous public education is necessary for maintaining understanding of and support for LVT. People forget why they introduced LVT but landowners do not forget how easy it is to make money from the lack of it!

The more serious the decline of a city and the more other measures are tried and prove failures, the more likely it is that city leaders adopt LVT. Liverpool has had most other policy options tried and little seems to have worked. Its continuing need for urban renewal seems to be a factor in the remarkable consensus developing locally that LVT is worth a try.

However it seems from our surveys that there is little support in Britain (except among local politicians) for allowing local councils to choose—PA-style—what property tax to adopt. LVT pilots need to show the policy can work in all areas, including those that are suffering **less** from economic decline than Liverpool. Stage 3 of this Fellowship hopes to learn from a successful pilot in a highly deprived city what methods of public education and pilot LVT design might work elsewhere as well.

The role of GIS in revealing the land value phenomenon to a wider public is seen as crucial, not least in ensuring that all concerned accept the basis of land tax assessments. UK local authorities have a very variable status in terms of land-based data and GIS. Liverpool appears to have a well developed and maintained set of land data sets and a council that gives high priority to meeting Government's e-business and e-government targets. This reinforces our belief that technology is one key to enabling successful, cost-effective pilots of LVT.

New Question 5: How can local and national public understanding of the workings of LVT best be reinforced in the design and implementation of pilots?

6. How long would pilots need to last and how would success be measured?

Although there is evidence from elsewhere that LVT starts to have a positive effect upon local economic activity as soon as landowners believe it is going to be introduced, our surveys show that British taxpayers are reluctant to accept overseas evidence alone. PA experience shows that cities need five to ten years to achieve a full tax shift off buildings onto land.

We believe there will not be sufficient support for a full shift to LVT until pilots have shown good results. Therefore pilots should be set up to last at least ten years. Normally a Government could not expect to hold its successors to such a long time-frame for a policy but with the Conservative Opposition in disarray it is likely that a Government which introduced LVT pilots now would still be in power to make LVT nation-wide and permanent.

Procedural and legal teething problems should all be known within three years of the start of a range of pilots, therefore a decision on nation-wide legislation could be made that soon. But it is important that areas chosen for pilots have good prior data on economic activity, so that there is the least possible basis for argument over their success. There seem to be at present no adequate statutorily collected and publicly available statistics upon which to base proof (or otherwise) of pilots' success.

We believe that it is possible to devise suitable economic indicators without excessive cost. However we will not be able to confirm this without the co-operation of Government and/or the construction industry.

New Question 6: How can LVT pilots be 'controlled' in experimental terms to account for extraneous factors in the validation of their results?