

# **Funding Transport with Land Values**

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Transport Chair, Greater London Council 1981-1996**

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# Economic Success



**Demands**

**Good & Sustainable  
Transport**

**That means good  
roads and good  
public transport.**



# ROAD PRICING

- ❖ Tolls for building and maintenance of roads and bridges were quite common in the middle ages.
- ❖ The first turnpike roads were introduced into Britain in the 17<sup>th</sup> Century.
- ❖ By 1770 90% of the UK's major highways had gated tolls.

In the UK you can still often see the toll keepers cottages on the roadside (now converted to middle-class homes)



The only surviving Toll Gate  
in London has operated since 1789



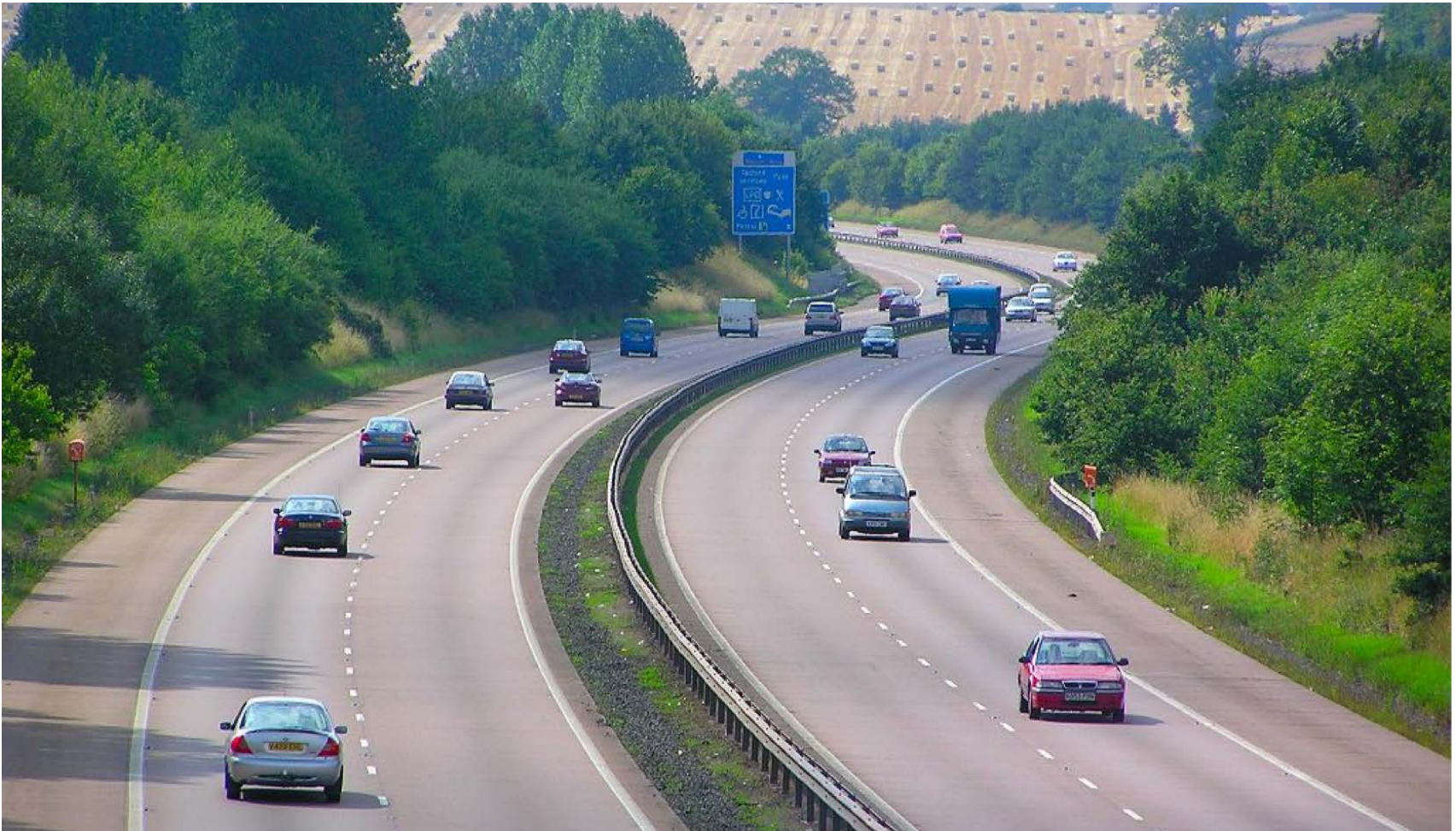
Today - London's Congestion Charge uses cameras and computers for payments and enforcement



# Historically, some Economists have referred to road pricing

- ❖ The Scottish economist, Adam Smith (1776) wrote several pages about toll roads even suggesting that the charge for post chaises and luxury carriages should pay more so that *“the indolence and vanity of the rich is made to contribute in a very easy manner to the relief of the poor, by rendering cheaper the transportation of heavy goods to all the different parts of the country.”*
- ❖ Working in France, the Italian Jules Dupuit (1843) developed a rich analysis on road pricing.
- ❖ In 1920, the Englishman, Arthur Pigou developed the theory of the costs of externalities being addressed by road pricing.
- ❖ In the 1950’s the Canadian Nobel Prize winning economist William Vickrey developed the theory of road pricing even further.

Whenever a new road is built  
**land prices** in the catchment area,  
especially around the junctions - **will rise!**





Not just new roads but existing roads also add to local land values



# Road Pricing and Land Value Taxing

In the context of this presentation it is interesting to note that both Adam Smith and William Vickery also suggested the economic efficiency arising from the introduction of an annual Land Value Tax (LVT) to pay for public services instead of taxes on wages, investment and trade.

That is a tax that falls only on land (or location) value measured as the economic rent arising from the optimum permitted use of each site.

But this phenomena of providing landowners with a free gift from road building does not only apply to roads it applies to ALL new and existing infrastructure including public transport.

# CANARY WHARF in London's disused Docklands in the 1980s

WENT FROM THIS.....



TO  
THIS



# CANARY WHARF

## Today

**Over 60,000 workers are able to access these offices every day because of the public investment in new roads, the Jubilee Line Extension and the Docklands Light Railway.**



# CANARY WHARF

**Imagine the drop in value of this land, if this massive public investment in transport infrastructure had not been provided, and less than 6,000 people were able to access the site daily.**





## TAKEN FOR A RIDE

Trains, Taxpayers and the Treasury



Inside Story □ DON RILEY

Don Riley has shown that land around The Jubilee Line Extension stations has increased by **£13 bn** when the line itself only cost **£3.5 bn** to build



So who should pay for new roads?  
Who Benefits from Congestion Charging?  
Who Benefits from public transport?

- Travellers enjoy the use of roads and public transport
- Businesses benefit as they become accessible to customers, to staff and enjoy easier and more efficient freight deliveries
- Landowners benefit secretly
  - as their land value increases!

FREE WITH TODAY'S Evening Standard

# Homes & Property

Wednesday, 29 June 2005

Sales 16-19, 23-27, 30-33, 41-45

Commercial 48

Essential Directory 48

Overseas 51

Private Sales 52

Lettings 52-53

New Homes 55-72

[www.homesandproperty.co.uk](http://www.homesandproperty.co.uk)

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In Ipswich, waterside apartments

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## Travelling times to London drive property prices

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and loft developments are springing  
up in the port and dock area,  
enticing buyers on rapid rail links to

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# FINANCIAL TIMES

12 February 2003

**“Buyers who predict new  
road and rail links can  
make a fortune”**

But are Roads and Transport  
the only driver of land values?



# POLICE



# SCHOOLS



# PUBLIC PARKS & GARDENS



# SHOPS and RETAIL





# FERTILITY OF LAND



# RIVER VIEWS



THE GEOGRAPHY and  
NATURE of a SITE effects its  
LAND VALUE.

ALL PUBLIC and PRIVATE  
SERVICES around a SITE add to  
its LAND VALUE

**LAND IS PROVIDED BY NATURE**

**With no cost of production**

**Landowners enjoy unearned wealth!**

# Empty buildings

**EMPTY BUILDINGS  
&**

**EMPTY SITES**

**Deny local people:**

**Jobs, Homes**

**Shops and**

**Leisure activities**





The owner of this UK factory was rewarded with no property taxes when he sacked 300 workers and smashed the roof in to make it uninhabitable!

So tax LAND not buildings!



An annual tax on ALL land would encourage the use of idle urban land and help avoid the transport and other costs of Urban Sprawl.





# LVT HELPS AVOID URBAN SPRAWL

If land is used efficiently in towns and cities with no empty or underused buildings or sites -

Then the needs of investors and residents are met without being forced onto less advantageous marginal land which incurs extra cost and inconvenience.

The disruption to the countryside is saved, urban environments become more efficient and journey times are reduced for transporting goods and for individuals commuting.

Energy is saved –

*i.e. LVT helps to address climate change.*

# Why collect land rent?

- Land is a natural resource
- Land values are created by whole communities
- Landowners do not create land values
- Expenditure on public services usually leads to an increase in land values
- The planning process often provides landowners with huge windfalls
- Taxes on labour and capital act as a drag anchor on the economy

# Land Value Tax is one way to collect land rent

- LVT is a fair way of paying for public services
- LVT encourages new capital investment
- LVT promotes the use of empty sites
- LVT helps prevent urban sprawl
- LVT cannot be avoided - unlike other taxes
- LVT is easy to assess and collect
- LVT would provide automatic compensation
- LVT facilitates lower interest rates
- LVT evens out the property cycle

# OVERSEAS EXPERIENCE OF Land Value Capture

Denmark, Australia, New Zealand,  
Hong Kong, Taiwan, USA and  
Canada

all have experience of Land Value Capture  
for local revenues

[www.LabourLand.org](http://www.LabourLand.org)

[www.TheIU.org](http://www.TheIU.org)

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Copies of this presentation freely available

Happy to meet to discuss further

Or see my further presentation tomorrow