

# Billions of pounds for rail

By Dave Wetzel

A fair way to pay for rail projects is a land value tax.

New rail routes provide increased journey opportunities for passengers but they also deliver economic benefits to the whole community.

A reduction in pollution and reduced road traffic are just two of the obvious spin-offs of any rail project. That is why the Government can justify providing subsidies to pay for both capital and operational costs.

One of the less obvious ways people benefit is in the price of land near a rail route. Although there were widespread complaints about the £3.5 billion high cost of the Jubilee

line extension in London, land values around just 11 of the new stations increased by £13 billion.

Individual home owners and property companies benefited from that increased wealth even though the project was paid for by the taxpayer.

Some of that added value could and should have been collected by the Government, says London property developer Don Riley in his book *Taken for a Ride*.

Transport for London funded an independent study which estimated that in 10 years up to 2002, the JLE caused land values to rise by £2.8 billion just in the area around Canary Wharf and Southwark sta-

tions. If the Government had collected a third of the increased land values in tax, it could have paid for the JLE without relying on general taxes.

The Government however chooses to ignore the windfall gains created by the JLE – and other rail projects.

Transport planners should not have to go cap in hand to governments for subsidies when new rail projects and renewals of existing lines are generating such wealth.

While people are flocking to use the trains – and they are – the railway is generating its own finance in the form of increased land values as well as fares. If a government refuses permission for a new rail

project they are denying passengers new travel opportunities but also denying landowners the opportunity to share in land value gains.

A land value tax can deliver the following:

- ◆ Transport improvements for the Government
- ◆ Relief for general taxpayers
- ◆ Reduced taxes on business and trade
- ◆ Passengers benefits in the form of new services and more convenient journeys
- ◆ Car users are able to use the new trains, giving economic and environmental benefit to the community generally
- ◆ Businesses near stations see trade and profits increase
- ◆ Landowners still retain most of the increased land value.

So how could the Government collect such a tax? Well, Denmark collects a land tax for local expenditure. All the land is valued each year and a percentage tax applied.

In Britain, all land could be assessed for its optimum, permitted use.

Land value tax is difficult to avoid yet would affect some of the richest people in the country because it is impossible to take land to a tax haven.

Empty sites with planning permission could be taxed at the same rate as land with an office block or housing on it, as an incentive to encourage the use of brownfield sites.

The land value tax could be called a location benefit levy and could help to achieve compact, high-density towns and cities – ideal for public transport.

Annual assessments would allow sites suffering from noise or pollution to be given a lower value, avoiding the need for expensive compensation adjudication.

Taxing development land has been tried in the past and failed because it creates shortages of land and allows developers to avoid the tax by reducing development.

The location benefit levy, however, is based on a similar principle to the Government's auction of 20-year leases for the third generation of mobile phones which raised £22 billion for public funds from the phone companies.

The land levy could help to reduce the north-south, rich-poor divides and it could provide new much-needed funding for rail projects, which would improve the economy and be a fairer way to pay for public services.

Deputy Prime Minister John Prescott is reported to be considering a planning gain supplement – a tax on property development which Mr Wetzel says has been tried and failed three times before.

■ *Dave Wetzel is vice chair of Transport for London.*

## Where integration really works

By Philip Bisatt

Railfuture staged a successful visit to some of the railways of our European neighbours in May, with Berne in Switzerland the chosen destination.

On arriving in Paris on Eurostar, the group headed across the city to the Gare de Lyon (involving rather an effort to get luggage through the Metro ticket gates!) where an al fresco lunch was taken by some on the station concourse. This was possible, of course, thanks to the peace and quiet of a fully electrified rail operation.

The journey from Paris Gare de Lyon to Berne was by TGV.

The group was met in Berne by Juerg Tschopp, consultant to Verkehrs-Club der Schweiz VCS (Swiss Association for Transport and the Environment).

Two very interesting presentations were given by Juerg and Peter Saxenhofer, director of VCS, which included such snippets as:

There are 100,000 bike rentals from Swiss stations per year, but only 600 car rentals.

City-centre traffic calming speeds of 10 mph are being introduced

The group also visited BLS Lotschbergbahn in Spiez, where – after generous refreshments – Urs Pfenninger, BLS communications officer, gave a very informative presentation about the company.

Though BLS is an independent group of companies, it is 65% owned by the canton of Berne, with the remaining 35% split between the federal government, other cantons/municipalities and private individuals.

After SBB (Swiss Federal Railways) BLS is the largest independent rail operator in Switzerland with a 150-mile network. It operates freight, regional passenger trains, buses, and even boats, and has also recently taken over

part of the Berne S-bahn. BLS operates one of the “rolling road” routes for carrying lorries across Switzerland, and currently the only one cleared for standard 4m high lorry trailers. It is also heavily involved in construction of the 20-mile Lotschberg base tunnel, due to open in 2007.

On its third day in Switzerland, the group travelled to Zurich to meet Edwin Dutler, president of rail campaign group Pro-Bahn.

What lessons did the group draw from its Swiss experience? It would be fair to say that the sheer range of rail ticket options was confusing – most group members found it hard to decide what ticket represented the best value.

In this respect at least, the group felt there were some parallels with the situation in Britain.

However, the overwhelming impression of Swiss public transport was highly positive. This was particularly true of integration between trains, trams (where available) and buses. Clearly, if public transport in Britain is ever to approach the quality that is taken for granted in Switzerland, there must be integration between modes – not merely within single towns or cities, but across whole regions and, indeed, the nation.

In Switzerland, one can buy a rail ticket with a comprehensive “add-on” facility covering the urban network at one’s destination.

This is of particular value because, unlike in most of Britain, bus-tram networks focus on principal railway stations.

A second lesson is how important local democracy and sub-national governments have been in developing Swiss public transport.

For integration to be rolled out across Britain on the Swiss model, local authorities, or other accountable public bodies, will surely

be given the same powers as their Swiss counterparts. After 20 years of deregulation in Britain, “voluntary” integration by bus operators shows no sign of happening on the scale required.

The role of local democracy also seems crucial in several other respects. Bus deregulation or rail privatisation could probably never happen in Switzerland, because of the opportunities for citizens to challenge central Government policies.

Organisations like VCS, and other recognised bodies such as WWF, have legal rights to oppose certain government decisions in the Swiss Courts. A petition with 100,000 signatures can require the federal government to propose legislation.

The experience of BLS suggests that the oft-quoted “private ownership” of transport in Switzerland means something very different to that in Britain. Most of the shares are actually owned by local governments – the very bodies which in Britain have been effectively forced to sell off their bus companies.

Once more, it is the UK that appears to be out of step. The ability of BLS to create its transit route and the Lotschberg base tunnel to carry 4metre-high road vehicles also suggests that operators need to control their own track.

Consider the obstacles that the rail freight companies in Britain have been facing as they try to get key routes cleared for 2.9m (9’6”) containers.

As on previous visits, thanks are due to Trevor Garrod and Peter Cannon for making the preliminary travel arrangements and developing the itinerary, to our Swiss hosts, especially Juerg Tschopp, Edwin Dutler and Urs Pfenninger, and to Jim Walker and Derek and Kath Crane for leading the group during the visit.