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10th. September 1983

Dear Lester,

Thanks for your letter of some months ago. Sorry about the delay but it is one of many that have suffered the same fate.

In my previous letter I recommended that you should subscribe to Land and Liberty. I do not know if you have done so and if you received the enclosed issues which contain two parts of an article which I wrote at Fred Harrison's request. You may find it of value.

I found it necessary to introduce the concept of Natural Rent as distinct from Economic Rent in order to better understand where both rent and taxes come from. Figures 4, 5 and 6 help to show the effect of taxation on marginal land.

It does not really matter if one talks about land value tax, site value rating, collecting the natural rent or taxable capacity, provided you are in all cases considering the shaded area of fig. 5. Taxable capacity is possibly a better way of getting past the unfounded antagonism which has developed to L.V.T. It may also be a better system for industries which are highly capital intensive and use very little land. For the rest, site value rating normally applies only to urban or local government taxation. In site or land value taxation I see no problem in assessing the value as the free market is quite capable of doing that provided the authorities keep their noses out of it.

This brings me to your question "How can one possibly distinguish between site disadvantage and inefficiency when calculating 'taxable capacity'?" This is a very good question! I will attempt to answer but it may well take a lot more study and serious contemplation.

The same way that business today uses D.C.F. (discounted cash flow) to calculate what they can pay for a business or industrial site and the capital investment there-on, they can use different parameters to arrive at the same conclusion. Given a clear directive such as; "Let the market value be two years rent and, conversely, let the rent be 50% of market value." it will not take long for them to build this into their calculations and stop paying ridiculous prices. This will quickly account for disadvantaged sites. Inefficiency on the other hand will be quickly swept away by those who recognise the true potential and offer to pay the appropriate price and rent. For this to be effective all genuine offers must be registered with the applicable authorities. For the sake of justice the present owner should be given an advantage of say 10% to protect him from unreasonable or prejudiced offers.

In practice would-be purchasers will relate back to anticipated annual rent rather than market values which is now the case. I hope this helps you. Do not hesitate to come back with further questions.

Kindest regards,


Godfrey Dunkley

P.S. You must obtain a copy of "The Power in the Land" by Fred Harrison and "Ploughing a Furrow" by Symond Fiske of Pmb.