

PO-CH/NL/0429
PART A

Part A.

RESTRICTED

(Circulate under cover and
notify REGISTRY of movement)

Begins: 30/11/88.

Ends : 9/3/89.

THIS FOLDER HAS BEEN
REGISTERED ON THE
REGISTRY SYSTEM

PO CH /NL / 0429

PART.A.

Chancellor's (Lawson) Papers:

Public Land Utilisation Management
Schemes (PLUMS).

DD's: 25 Years



24/1/96.

PO CH /NL / 0429
PART.A.

FROM ANTHONY STEEN MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Stephen Wood.

30 November 1988

*A quick appraisal
of the proposals,
post. Also
Mr Gunt's
views.
M.*

Nigel Lawson

This is a copy of one John Redwood has written to Brian Griffiths. It refers to PLUMS, which I produced in July. Here is a copy.

Could Nicholas Baker, John Redwood and I have half an hour with you to tell you about it? We think it might appeal.

There are a number of ramifications. But you will readily appreciate the beauty of it all, even before we darken your doors.

I will have my office call yours, and hope you will be agreeable.

*Don't
fix sig
for you*

Lawson

Chris

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

** + the editorial team.*



HOUSE OF COMMONS
LONDON SW1A 0AA

28 November 1988

Brian Griffiths, Esq.,
10 Downing Street
London SW1

Dear Brian,

I am writing to you to recommend Anthony Steen's P.L.U.M.S.

This proposal attracted the support of 170 Conservative Members of Parliament in three days when it was first put on the Order Paper on 12 July 1988. The idea behind the scheme is set out in the enclosed booklet which you may have seen.

The advantages of this scheme could be central to the enterprise policies, to inner city renewal policies, and to the new accent upon developing a greener side to conservatism.

Few of us wish to see the new dynamism of the enterprise economy artificially restricted by unacceptably tight planning constraints or by a scarcity of land suitable for development. Conservative MPs are also concerned to see that the pace and spread of development go across the whole country and does not merely take the form of walking away from the inner cities to build ever more houses, industry and commerce on green field sites beyond the city limits and beyond the greenbelt. In order to make this policy realistic and to prevent it becoming an unpleasant clog on enterprise, it is essential to identify substantial amounts of land in areas that are already built up which could be improved environmentally and could offer jobs and houses within the cities themselves.

There is already on the land registers 90,000 identified acres that are surplus to requirements of nationalised industries, local councils and the National Health Service. This is generally recognised by the property profession as a gross underestimate: much land is owned by public bodies but not put on to the register on the grounds that there are plans for development, but these plans are unlikely to take place in any reasonable timescale. A safe estimate is that the true amount of public sector surplus land available is in excess of 200,000 acres.

Some people have suggested that parts of this land is unusable for any purpose given its location and its run down condition, or that it would be expensive to rehabilitate some of it. Even allowing for physical difficulties in some cases we can be reasonably confident that at least 100,000 acres of surplus land still remains in the public sector and would be suitable for disposal and for major development opportunities.

There has been some modest withdrawal of land from the register through sales, but the biggest reduction has come through the privatisation of the British Gas Corporation which removes their land from the public register. The Government itself has been especially reticent about identifying its own surplus land, despite the huge estates of the MoD and the PSA. The PSA itself may have as much as 5,000,000 square feet of surplus property, although its definitions now shunt much of this into a category which is claimed to be awaiting new users rather than being genuinely surplus. I am sceptical about this recategorisation exercise.

The idea behind the P.L.U.M.S. scheme is that the value of this land should be released for its existing public sector owners by the establishment of regionally based landholding companies. The public sector bodies who would have to transfer their land to the P.L.U.M.S. would receive in exchange share certificates in the P.L.U.M.S. As the professional managers got to work marketing and improving the land using private sector capital, the shares would come to have a value based upon the initial valuation of the land and upon the enhancement the private sector development scheme would produce. Various devices could be used to enable local authorities and nationalised industries to enjoy the value of this property. You could, for example, make the share certificates tradeable so that at any point the council or the nationalised industry concerned could decide to sell its holding at the then market value. New land could be added to existing P.L.U.M.S. in return for new share certificates or new P.L.U.M.S. could be established at periodic intervals if you wished to see the full enhancement in value on the old land coming through in what would then be a closed property company. These details do not matter nearly as much as the principle represented by P.L.U.M.S., that action would be forced upon recalcitrant public land hoarders.

Within government I believe that the DTI, the Treasury and many concerned with inner city policy are very sympathetic to this approach, recognising that outside the development corporation areas lies much derelict but usable land in the public sector where to date the powers have not been deployed under existing legislation to enforce rapid disposal on local councils and nationalised industries and where the government itself has been all too slow to improve its own estate. P.L.U.M.S. would put pressure on the existing public landowners to do something with their land and it may be that merely doing the preparatory work to establish P.L.U.M.S. schemes would force a lot of this land on to the market as the public bodies would be reluctant.

I think it does need some further stimulus from the centre, as there are interests within the Department of the Environment who are quite properly representing the views of local authorities who are naturally reluctant to see this kind of development as they would see it as a further attack upon their own powers. There are powers already in existence to enable the government to enforce disposal of land, but these have been used on far too modest a scale. P.L.U.M.S. would be an exciting concept which would harness private sector activity on a grand scale and would make a very visual impact upon the city landscape in many parts of the country in a relatively short space of time. In my constituency an old power station is being demolished and $\frac{1}{2}$ million square feet of new commercial space erected on the site and adjacent land. It will improve and rejuvenate at the same time.

All sensible Conservative MPs wish to see the continuation of rapid growth which will necessitate further substantial development. There is a big task to be done constructing new houses and factories and renewing old estates and old industrial plant. There would be broad political support for enforced sale of public sector land to make a contribution to the obvious need for more land for development. The cities need not suffer, as the plans for the development and enhancement of the public sector land could include the return of substantial amounts of it to leisure, recreational and green use. The problem with the land at the moment is that it is left derelict and in an appalling condition which puts off the local inhabitants, makes it unusable for leisure and drives all the developers outside the city boundaries.

Yours sincerely,



FROM: MRS JULIE THORPE

DATE: 7 December 1988

MR S N WOOD

cc PS/Chief Secretary *
Mr Phillips *
Mr A J C Edwards *
Mr Tyrie *

(* Booklet not attached)

PLUMS

... The Chancellor has received the attached letter, dated 30 November, from Anthony Steen MP enclosing a further letter from John Redwood MP to Brian Griffiths, and a booklet - entitled PLUMS - Public Land Utilisation Management Schemes.

2. Anthony Steen, Nicholas Baker, and John Redwood would like to call on the Chancellor to discuss this. The Chancellor has said he would be grateful if you, and Mr Tyrie, could let him have a quick appraisal of the booklet and letters before he sees them. I am afraid you will have to share the booklet as it was not possible to copy it.

3. Please can we have your comments by close of play on Thursday 8 December.

Julie Thorpe.

MRS JULIE THORPE

FROM ANTHONY STEEN MP



HOUSE OF COMMONS
LONDON SW1A 0AA

30 November 1988

Nigel Lawson

This is a copy of one John Redwood has written to Brian Griffiths. It refers to PLUMS, which I produced in July. Here is a copy.

Could Nicholas Baker, John Redwood and I ^{*} have half an hour with you to tell you about it? We think it might appeal.

There are a number of ramifications. But you will readily appreciate the beauty of it all, even before we darken your doors.

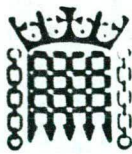
I will have my office call yours, and hope you will be agreeable.

Lawson

Chro2

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

* + The editorial team.



HOUSE OF COMMONS
LONDON SW1A 0AA

28 November 1988

Brian Griffiths, Esq.,
10 Downing Street
London SW1

Dear Brian,

I am writing to you to recommend Anthony Steen's P.L.U.M.S.

This proposal attracted the support of 170 Conservative Members of Parliament in three days when it was first put on the Order Paper on 12 July 1988. The idea behind the scheme is set out in the enclosed booklet which you may have seen.

The advantages of this scheme could be central to the enterprise policies, to inner city renewal policies, and to the new accent upon developing a greener side to conservatism.

Few of us wish to see the new dynamism of the enterprise economy artificially restricted by unacceptably tight planning constraints or by a scarcity of land suitable for development. Conservative MPs are also concerned to see that the pace and spread of development go across the whole country and does not merely take the form of walking away from the inner cities to build ever more houses, industry and commerce on green field sites beyond the city limits and beyond the greenbelt. In order to make this policy realistic and to prevent it becoming an unpleasant clog on enterprise, it is essential to identify substantial amounts of land in areas that are already built up which could be improved environmentally and could offer jobs and houses within the cities themselves.

There is already on the land registers 90,000 identified acres that are surplus to requirements of nationalised industries, local councils and the National Health Service. This is generally recognised by the property profession as a gross underestimate: much land is owned by public bodies but not put on to the register on the grounds that there are plans for development, but these plans are unlikely to take place in any reasonable timescale. A safe estimate is that the true amount of public sector surplus land available is in excess of 200,000 acres.

Some people have suggested that parts of this land is unusable for any purpose given its location and its run down condition, or that it would be expensive to rehabilitate some of it. Even allowing for physical difficulties in some cases we can be reasonably confident that at least 100,000 acres of surplus land still remains in the public sector and would be suitable for disposal and for major development opportunities.

There has been some modest withdrawal of land from the register through sales, but the biggest reduction has come through the privatisation of the British Gas Corporation which removes their land from the public register. The Government itself has been especially reticent about identifying its own surplus land, despite the huge estates of the MoD and the PSA. The PSA itself may have as much as 5,000,000 square feet of surplus property, although its definitions now shunt much of this into a category which is claimed to be awaiting new users rather than being genuinely surplus. I am sceptical about this recategorisation exercise.

The idea behind the P.L.U.M.S. scheme is that the value of this land should be released for its existing public sector owners by the establishment of regionally based landholding companies. The public sector bodies who would have to transfer their land to the P.L.U.M.S. would receive in exchange share certificates in the P.L.U.M.S. As the professional managers got to work marketing and improving the land using private sector capital, the shares would come to have a value based upon the initial valuation of the land and upon the enhancement the private sector development scheme would produce. Various devices could be used to enable local authorities and nationalised industries to enjoy the value of this property. You could, for example, make the share certificates tradeable so that at any point the council or the nationalised industry concerned could decide to sell its holding at the then market value. New land could be added to existing P.L.U.M.S. in return for new share certificates or new P.L.U.M.S. could be established at periodic intervals if you wished to see the full enhancement in value on the old land coming through, in what would then be a closed property company. These details do not matter nearly as much as the principle represented by P.L.U.M.S., that action would be forced upon recalcitrant public land hoarders.

Within government I believe that the DTI, the Treasury and many concerned with inner city policy are very sympathetic to this approach, recognising that outside the development corporation areas lies much derelict but usable land in the public sector where to date the powers have not been deployed under existing legislation to enforce rapid disposal on local councils and nationalised industries and where the government itself has been all too slow to improve its own estate. P.L.U.M.S. would put pressure on the existing public landowners to do something with their land and it may be that merely doing the preparatory work to establish P.L.U.M.S. schemes would force a lot of this land on to the market as the public bodies would be reluctant.

I think it does need some further stimulus from the centre, as there are interests within the Department of the Environment who are quite properly representing the views of local authorities who are naturally reluctant to see this kind of development as they would see it as a further attack upon their own powers. There are powers already in existence to enable the government to enforce disposal of land, but these have been used on far too modest a scale. P.L.U.M.S. would be an exciting concept which would harness private sector activity on a grand scale and would make a very visual impact upon the city landscape in many parts of the country in a relatively short space of time. In my constituency an old power station is being demolished and $\frac{1}{2}$ million square feet of new commercial space erected on the site and adjacent land. It will improve and rejuvenate at the same time.

All sensible Conservative MPs wish to see the continuation of rapid growth which will necessitate further substantial development. There is a big task to be done constructing new houses and factories and renewing old estates and old industrial plant. There would be broad political support for enforced sale of public sector land to make a contribution to the obvious need for more land for development. The cities need not suffer, as the plans for the development and enhancement of the public sector land could include the return of substantial amounts of it to leisure, recreational and green use. The problem with the land at the moment is that it is left derelict and in an appalling condition which puts off the local inhabitants, makes it unusable for leisure and drives all the developers outside the city boundaries.

Yours sincerely,

UNCLASSIFIED

FROM: S N WOOD
DATE: 8 December 1988

CHANCELLOR

cc PS/Chief Secretary
Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr Edwards
Mrs Brown
Mr Potter
Mr Saunders
Mr Betenson
Miss Hay
Mr Tyrie**PLUMS (PUBLIC LAND UTILISATION MANAGEMENT SCHEMES)**

Mrs Thorpe's note of yesterday commissioned quick advice from me and Mr Tyrie on Mr Steen's above proposals, published in July by the Conservative Political Centre, and on Mr Redwood's letter of 28 November to Professor Griffiths at No.10, commending them. Unfortunately, Mr Tyrie has been at a conference today and I have been unable to discuss the matter with him. No doubt he will let you have his views separately.

PLUMS

2. Mr Steen recommends vesting surplus public sector land in plcs (PLUMS), headed by private sector boards appointed by the Government. This would require legislation. The land would be transferred at open market value in return for shares issued to the former owners at par. These might be redeemed, if the assets were sold at sufficient prices, or shareholders could be paid dividends. The management could be put out to tender, perhaps on an equity-sharing basis. Mr Steen suggests that PLUMS would be able to raise capital, presumably on the speculative value of their land assets, to assemble parcels of land for development. He suggests that investors in them should be given tax breaks.

3. Mr Steen's own proposals were confined to local authority, nationalised industry and NHS land. Mr Redwood notes that central government also owns surplus land, although he does not propose adding this to the PLUMS portfolio; he also suggests that much of the surplus land on the register is left derelict, and that PLUMS could return parts of it to leisure use. There is, of course, a long-standing programme of derelict land grant and other assistance for regeneration of derelict land in inner city areas.

DOE Views

4. Mr Steen has discussed his proposals with Mr Ridley, in September, but Mr Ridley rejected them. His position is that the Government has forced public sector owners of vacant land to enter it on registers which developers can inspect; and it is then open to them to make an offer, and to apply to the Secretary of State to force the owner to sell if he is unwilling. The Secretary of State can take account of arguments that the land, although vacant, is likely to be needed for operational purposes, for example, for replacement building.

Consideration

5. The present system was criticised by the Audit Commission in its report in February this year, but not in respects that PLUMS would assist. The Commission commented that much of the vacant land on the register was incapable of development, due to adverse ground conditions or planning constraints. This casts some doubt on the potential scale of the claimed benefits from PLUMS. The Commission also commented that Councils saw the system as adversarial. They were likely therefore to exploit means of keeping valuable surplus land off the register by putting it to some, perhaps sub-optimal, use. PLUMS would not reach these assets. The Audit Commission made a number of recommendations for improved local authority property management, and for changes to the capital control regime to improve incentives for disposals.

6. Mr Steen's proposals really rest on bringing private sector initiative to bear on disposals of property on the register. But the fact is that the register is already available to developers, who can apply to have owners forced to sell. The problem, as the Audit Commission argued, goes wider, to the management of assets not on the register. Outside local government other public sector holders of property are pressed in the Survey and the IFR exercise to improve their property management and to identify and dispose of surplus land. In the case of the Health Service, the PSA and the Ministry of Defence, for example, substantial resources are being released and realised. This is the answer to Mr Redwood's point about central government property.

7. The financing of PLUMS would raise some difficult questions. They would be set up with a very mixed bag of assets, balanced by equity liabilities to the former owners. In some cases, local authorities would be the majority shareholders. The running costs would initially have to be met by Government, if the shareholders, the former owners, were unwilling to do so. The prospect of lifting this burden by attracting private finance would essentially depend on the prospect of either selling off the land at more than its initial worth, certified by the District Valuer, or by paying out to the original owners less than that certified worth. The latter course would invite accusations of confiscation. On the other hand, one could not be confident that much of the land concerned would be improved in value, unless through potentially embarrassing change in planning permission status.

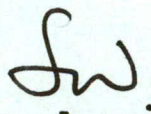
8. It is worth noting that the certification on value of land to be transferred would place a significant extra burden of work on the District Valuer service, which is already hard-pressed.

9. Mr Steen proposes two ideas for tax breaks for investors in PLUMS, namely tax free interest on bonds (Industrial Revenue Bonds) and BES terms. The Inland Revenue had advised against both of these. Policy is not to grant favourable tax treatment to the interest obligations of particular categories of enterprise, which

would distort markets to the disadvantage of other borrowers. The coverage of the BES is also carefully controlled, and since 1986 has been restricted in the main to non-property enterprises (with the exception of housing for rent). Although PLUMS might be relatively unattractive to investors, breaching this general rule for the coverage of BES would increase pressure for further widening which would be poor value for money.

Conclusion

10. Mr Steen's scheme is imaginative, but it is not clear that it would be a practical business proposition. Private enterprise can already pursue land on the registers if it wants to. Much of it is not worth pursuing, and some of it is genuinely needed for foreseeable operational purposes, and transfer to PLUMS would not change that. Financing the operation of PLUMS could prove a burden on public expenditure. It is better to persist with existing policies for improved management of public property assets, including disposals.



S N WOOD

RESTRICTED

Julie!
✓

FROM: A G TYRIE

DATE: 13 December 1988

CHANCELLOR

cc PS/Chief Secretary
Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr Edwards
Mrs Brown
Mr Saunders
Mr S Wood
Mr Betenson
Miss Hay
Mrs Chaplin
Mr Call

atX
Ch/Mr Tyrie's advice below is that
you should see Steen & Co sometime
in the New Year.
Should I ask Nigel to arrange something
after a case one evening?

Julie
15/12.

Or ask
CST? AA

Ygr

PLUMS (PUBLIC LAND UTILISATION MANAGEMENT SCHEMES)

You asked for advice on this proposal.

2. I largely agree with Steven Wood's conclusions. There might be some merit in getting private sector companies to bring pressure to exploit surplus land more effectively than the land register system does. But I doubt that we would see any radical transformation as a result.

3. Apparently, when Steen and co went to see Nicholas Ridley he was brusque in the extreme with them. So they licked their wounds and obtained an audience with the Prime Minister. Mr Ridley did not attend that meeting (I think it was a mistake not to have at least one DoE Minister there), but Tony Newton attended, who thinks there is something in it. Apparently, the Prime Minister gave them the impression, in a general way, that she, too, was supportive. The Policy Unit (Carolyn Sinclair) have been asked to look at it.

X/ 4. Both Mark Lennox-Boyd, whom I consulted, and I think that sooner or later you may as well see them. I think that it should be made as informal an occasion as possible, sometime in the New Year. What about a brief drink after 10p.m. in the House, organised through Nigel Forman? I think he (or I) should be there to take notes.

5. It seems to me that the key points we need to make to Mr Steen and co are:

- This is not really HMT's pigeon but DoE's, but you are happy to listen to what they have got to say.
- The biggest single problem is probably not the management of the land but the planning permission which dictates the use to which it may be put. These proposals will probably not change existing local authority practice on planning.
- The Register of Surplus Land system may be flawed, but it is doing some good.
- Quite a lot of this land is going to end up in the private sector as a result of privatisation, either in this Parliament through the privatisation of electricity and water, or in subsequent Parliaments through putative privatisations of British Rail etc.
- Even a successful PLUMS would not succeed in reducing much of the pressure for new build in rural/Green Belt constituencies. [I suspect that the enthusiasm for this stems partly from the hope that urban renewal can substitute for development in the Shires. I expect many of them cling to the erroneous view that while there is "wasted" land in inner cities there is no need to build elsewhere.]
- Thank Mr Steen for making it clear that pressure for the proposal would not be accompanied by any call for additional public funds (he says this in the Summary, viii).
- If he raises them, point out the distortive effects of his tax break proposals, particularly tax free interest on bonds. (We will need more Revenue briefing on this.)

A.G.T.

A G TYRIE



FROM: MRS JULIE THORPE

DATE: 19 December 1988

A handwritten signature in dark ink, appearing to read 'Julie Thorpe', with a horizontal line underneath.

PS/CHIEF SECRETARY

cc Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr A J C Edwards
Mrs Brown
Mr Saunders
Mr S Wood
Mr Betenson
Miss Hay
Mrs Chaplin
Mr Tyrie
Mr Call

PLUMS

... Youi will have seen copies of my minute of 7 December to Simon Wood, and subsequent minutes about PLUMS. I attach a further letter which the Chancellor has received from Anthony Steen MP urging a meeting.

2. The Chancellor has said he would be grateful if the CST would agree to see these people. If the Chief Secretary is content please can you take this forward with Anthony Steen's secretary.

A handwritten signature in dark ink, appearing to read 'Julie Thorpe', written in a cursive style.

MRS JULIE THORPE
Diary Secretary

FROM ANTHONY STEEN MP



HOUSE OF COMMONS
LONDON SW1A 0AA

15 December 1988

Dear Nigel

SANE Planning has deputed Nicholas Baker, John Redwood and myself to arrange to meet with you to discuss PLUMS and how the realisation thereof might be of help to you.

We saw Margaret, we have seen David Young, we have seen Nicholas Ridley.

I wrote to you on 30 November, and my office has been in touch with yours twice since then. Our team is champing at the bit and asking what is happening.

We would be grateful for half an hour with you *to explain.*

Yours

Anthony Steen

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

HM TREASURY - MCU	
RECD	16 DEC 1988
ACTION	
SIGNATURE	
FILE NO.	

mp

FROM: MARK CALL
DATE: 8 MARCH 1989

CHIEF SECRETARY

*MIKE
pls find out whether we
or CST have any past
papers on this*

cc Chancellor
Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr A J C Edwards
Mrs M E Brown
Mr Saunders
Mr S N Wood
Mr Betenson
Miss Hay
Mrs Chaplin
Mr Tyrie

Dunc

PLUMS (PUBLIC LAND UTILISATION MANAGEMENT SCHEMES)

Following your meeting with Anthony Steen, MP and others you asked me to take a look at their proposal. I have now spoken to Ian Whitehead and Carolyn Sinclair in the No.10 Policy Unit, Howard Davies at the Audit Commission, as well as meeting again with Anthony Steen and John Redwood. Although the Policy Unit haven't yet finalised their view, I am clear that we do not want to support the proposal as it stands. While there is clearly a need to give land sales by local authorities a nudge, I think this could effectively be done with measures far less draconian than those proposed in PLUMS.

Views of the Audit Commission

2. I found the Audit Commission's views particularly persuasive. They argue that not only have the PLUMS promoters made the wrong diagnosis, but that they have also prescribed the wrong treatment.

Wrong diagnosis

- Local authorities (LAs) hostile to enterprise are rare. The new economic realism is spreading fast, and has certainly reached Sheffield even if not Liverpool.

- Wrong use or under use is a greater problem than non use. Where land was not used at all there were often good reasons, such as access. They also point out that 60% of derelict land is in private hands.
- Where land was put to the wrong use or was under used, this was often explained by confusion in the LA on why they owned it. Some were even unsure what they owned. The Audit Commission was currently working to help LAs clarify this area.
- A major constraint on LA land disposals was the lack of demand. They felt strongly that there isn't a juicy plum there to be picked. In general, if the land had value local authorities would sell it.

The Audit Commission's Prescription

- The Secretary of State should make more directions for sale, and not worry so much about possible litigation.
- LAs needed a greater incentive to sell land. It would be possible to ring-fence this to avoid knock-on to the spending proportion of housing receipts.
- Greater encouragement should be given to the use of joint ventures to encourage participation by LAs in economic development.
- Additional financial encouragement could be given by linking land clearance/assembly of parcels to City Grant.
- They would not favour the extension of s52 deals whereby a developer undertook to build something quite unrelated to his project in order to get permission.

3. To their criticisms of PLUMS I would add the potential difficulty with propriety if LAs were to be giving themselves planning permission to increase the value of their equity stake. Come back T.Dan Smith all is forgiven.

Other proposals in play

4. The Property Advisory Group of the DOE exists to give DOE advice on property management, and membership includes an LA Chief Executive, LA valuers, private sector surveyors etc. It endorsed a proposal of the House Builders Federation to create Urban Land Agencies, with CPO, and grant-funded, initially at least. This sounds curiously like UDCs. But it also included an equity concept which makes it quite like PLUMS. Mr Ridley has presumably given this proposal short shrift as he has PLUMS.

What is stopping sales?

5. In theory there is little currently stopping LAs from pursuing land sales more vigorously. The two main hurdles appear to be:

- the activity appears to be unfocussed, and even at local level no dedicated organisation exists to pursue the objective.

- LAs cannot make the investment to assemble parcels of land, from components which are often under one acre and hence not on the Land Register. One anomaly is the Land Authority for Wales, whose prime function is to assemble sites. It has CPO powers, and while it is currently grant funded is aiming to move towards self-financement.

The way forward

6. There can be little doubt that the thing needs a kick. Mr Ridley's bald assertion in a recent minute that "we are doing as much as we can" is perhaps a little complacent, but I think he is essentially facing in the right direction. My own package would be:

- make the Land Register more useful by including under-used land, and perhaps including smaller sites.

- Accept that the Secretary of State's powers should be used more frequently (Nick Ridley is planning some kind of "relaunch").
- Consider an increased financial incentive through a tightly-targeted increased spending proportion for land sales.
- Encourage joint ventures rather than s52 deals.
- Examine the role and organisation of the Land Authority for Wales and consider whether there are any lessons for the organisation of the land sales activity.

Conclusion

7. PLUMS would not only be a sledge hammer to crack a nut, but would be perceived as a further slap in the face for LAs. The Audit Commission's view is that many LAs are adopting a more realistic attitude to economic development, specifically the role of property development and retail in the local economy. There is an opportunity to build on this new realism, and PLUMS would not help. There is, of course, the outstanding question of what would happen to UDCs when they come to the end of their life in the mid-to late-1990s. Will they go back to the LAs as originally intended? That would be a vote of confidence in the LAs, and could be a useful carrot to encourage the spread of economic good sense.

8. Do you feel a need to write to Steen and Co? I think their proposal will just fizzle out, but Ian Whitehead at the Policy Unit was showing worrying signs of enthusiasm. It may be more appropriate for Mr Ridley to pour some official cold water on the scheme.

Mc

MARK CALL



FROM: MISS C EVANS
DATE: 8 March 1989

MR CALL

cc: Chancellor - 2
Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr A J C Edwards
Mrs M E Brown
Mr Saunders
Mr S N Wood
Mr Betenson
Miss Hay
Mrs Chaplin
Mr Tyrie

pwp

PLUMS (PUBLIC LAND UTILISATION MANAGEMENT SCHEMES)

The Chief Secretary was most grateful for your note of 8 March. He wonders whether it would be worthwhile writing to Mr Ridley to say that he has succeeded in fending off the PLUMS people but has a few thoughts on the way forward, then outline the package you set out in paragraph 6.

2. The Chief Secretary would be grateful if you could discuss this with officials and, if they agree that it would be useful, submit a draft for him to send.

CE

MISS C EVANS
Private Secretary

RESTRICTED

CHIEF SECRETARY

FROM: A G TYRIE
DATE: 9 March 1989
cc: Chancellor
Mr Anson
Mr Byatt
Mr Monck
Mr Philips
Mr Edwards
Mrs Brown
Mr Saunders
Mr Wood
Mr Betenson
Ms Hay
Mrs Chaplin
Mr Call

amp

PLUMS

I saw Mark Call's note of 8 March.

2. I agree with him. Steven Wood and I looked at this some time ago and came to pretty similar conclusions in notes to the Chancellor on 8th and 13th December. Mr Ridley thinks the same way, too.

3. The danger is that unguided Prime Ministerial enthusiasm could result in some variant of this scheme being foisted on us. My only concern is that the more that we or anybody else contacts the Policy Unit the more likely they are to take an interest in it. This is just the sort of issue in which they feel they can create a role for themselves.

4. So I think we should lie doggo, tell Mr Ridley he can call on us for support if he needs it, but otherwise leave it to him.

AG
A G TYRIE

Public Land Utilisation Management Schemes

P.L.U.M.S



by
ANTHONY STEEN MP



ANTHONY STEEN MP represented Liverpool Wavertree for 9 years before moving to the South Hams constituency in Devon. He was formerly a youth leader in East London, a community worker in many of our principal cities and founder director of a national charity concerned with urban problems. He is currently Chairman of the Conservative backbench Urban and Inner City Committee and author of "New Life for Old Cities".



CLIVE DARLOW has been involved in strategic land planning and urban renewal for some 25 years, with consultancy assignments in over a dozen countries. He writes extensively on these issues and has published six technical books.



JONATHAN HARRIS is a Chartered Surveyor and senior partner of a major London practice, holding several Directorships of publicly quoted investment and development companies. He is also a Governor of the Polytechnic of Central London.



DAVID MILTZ holds a Ph.D. in Economics from Cambridge University, is a Chartered Accountant and a visiting professor of finance and accounting. He specialises in the investment and financial aspects of environmental projects.

PLUMS

Public Land Utilisation Management Schemes

Editorial Team:

Anthony Steen, MP

Clive Darlow, BSc, MPhil(Cantab), FRICS

Jonathan Harris, FRICS

David Miltz, PhD(Cantab), MSc, BCom, BA, CA

1988

© A. D. Steen & others, 1988

All rights reserved. No part of this publication may be photocopied, recorded or otherwise reproduced, stored in a retrieval system or transmitted in any form or by any electronic or mechanical means without the prior permission of the copyright owner and publisher.

In common with other CPC publications, this book is a contribution to discussion and not an official Party pronouncement.

CPC No. 0510788

ISBN 0 85070 78 1

Published by the Conservative Political Centre, 32 Smith Square, London SW1P 3HH and printed by Lansdowne Press, London, S.E.26.

First published July 1988

Designed and produced by HLP Associates Ltd, 70/72 Chancery Lane, London WC2A 1AB.
Typeset in 12/14 pt English Times by Sisters Ltd, 72/80 Leather Lane, London EC1N 7TR



CONTENTS

Acknowledgements	iv
Foreword	v
Notice of Motions	vi
A Summary	viii
Introduction	1
1 The background	2
2 Planning generates wasted land	6
3 The problem of wasted land	9
4 Alternative solutions	26
5 Public Land Utilisation Management Schemes “PLUMS”	30
6 The financial aspects of PLUMS and tax incentives	39
Appendix 1 Illustration of industrial revenue bonds	42
Appendix 2 The growth of vacant dormant and derelict public land is endemic to the planning process	46
Bibliography	49

ACKNOWLEDGEMENTS

I have to thank Jonathan Harris and Clive Darlow for thinking up the idea of PLUMS and for massaging it into shape and for taking on the organisation and administrative burden; David Miltz, Research Associate at the University of Cambridge for looking at the economic viability; Professor Alice Coleman of Kings College London for sharing her extensive knowledge of the problems of vacant public land; Professor Charles Leven of Washington University, St Louis for posing the right questions; and Dr. Nathan Lichfield of Nathaniel Lichfield & Partners for his role as devil's advocate.

We talked with bankers; local authority members and officers; planners and politicians; developers, valuers and investors; Christopher Wates of English Industrial Estates helped in the early stages, as did Roger Tym of Roger Tym and Partners.

We are grateful to Judy Hillman, journalist and planning correspondent, who did some of the early spadework and to Sheila Hayward, who works with me in the House of Commons.

ADS
July 1988

FOREWORD

Rt Hon Michael Heseltine MP

As Secretary of State for the Environment, I was concerned to ensure that a fresh initiative was taken to release some of the hundreds of thousands of acres of vacant and under-utilised land in the vaults of public owners. We needed to identify where they were and why they had not been used. To achieve this we set up the land registers under the Local Government, Planning and Land Act 1980, to compel local authorities, statutory undertakers and public utilities to list their surplus land holdings. We hoped that this would direct the attention of developers from green field sites particularly in the South to the principal cities in the Midlands and the North, which were losing population and needed help in the transition from an industrialised to a post-industrialised society.

We made a start, and 159,000 acres since 1981 have been entered on the registers. At the end of April 1988 some 88,400 acres are still on the registers, whilst on the basis of the first four months of 1988 some 8,700 acres will be removed this year. But, as quickly as land comes off, more goes on, and I accept that a new approach is needed that builds on our experience during the 1980s and gives us even more effective weapons in the 1990s.

That is why I am interested in the approach adopted in this book. It has been thoroughly researched by a team of experts. It has had the advice and support of Professor Alice Coleman, whose work in this field is well known, and it is timely in its publication. The debate about the exploitation of the countryside in the South is in full flow. The idea is simple, the effect could be dramatic. Vacant public land would be a thing of the past. New buildings, new developments must result.

Its publication will help to maintain the keen interest that the public are now rightly showing in these matters.

I hope also that the authors may now turn their attention to the other side of the coin; the unused and wasted private sector land that is as damaging to the cause of urban regeneration as its public equivalent.

I hope also that central government will behave in the same way as it has forced the rest of the public sector to do by publishing details of all its own land holdings.

Notice of Motions: 12th July 1988

1354 PUBLIC LAND UTILISATION MANAGEMENT SCHEMES (PLUMS)

Mr Anthony Steen
Sir Bernard Braine
Mr Michael Alison
Mr John Heddle
Mr Jerry Wiggin
Mr Michael Grylls

★ 170

Sir Hugh Rossi	Dame Jill Knight	Sir Giles Shaw
Sir Marcus Fox	Sir Anthony Grant	Sir Richard Body
Sir George Young	Sir Geoffrey Johnson Smith	Michael Heseltine
Julian Amery	Sir Charles Morrison	Ian Gow
Sir Eldon Griffiths	Sir Michael McNair-Wilson	Sir John Stokes
David Howell	Sir Antony Buck	Sir Ian Lloyd
Sir Gerard Vaughan	Sir Philip Goodhart	George Gardiner
Sir Michael Shaw	Sir John Farr	Sir Dudley Smith
Timothy Raison	Sir Nicholas Bonsor	Sir Trevor Skeet
Sir Anthony Meyer	Sir Fergus Montgomery	George Walden
Bill Benyon	Sir Geoffrey Finsberg	Sir Hall Miller
Sir John Biggs-Davison	Sir Jim Spicer	Sir Geoffrey Pattie
Sydney Chapman	Peter Fry	Charles Irving
Sir David Price	Keith Speed	Michael Mates
David Alton	Ann Widdecombe	John Wheeler
Michael Morris	Jim Lester	Emma Nicholson
Keith Hampson	Ivan Lawrence	John Redwood
Gerry Bowden	John Hannam	Harry Greenway
Jacques Arnold	Hugh Dykes	William Shelton
Matthew Carrington	Gillian Shephard	David Curry
Geoffrey Dickens	John Gorst	Ivor Stanbrook
Tim Smith	Andrew Rowe	John Bowis
Richard Alexander	David Gilroy Bevan	Alan Haselhurst
David Nicholson	Andrew Hargreaves	Robin Squire
Spencer Batiste	John Wilkinson	Janet Fookes
Jonathan Aitken	Roger Sims	Dr Alan Glyn
Peter Rost	Robert Hicks	Julian Brazier
Hugo Summerson	Malcolm Thornton	John Cartwright
Michael Brown	John Butterfill	Richard Page
Andrew Hunter	Andrew Mitchell	Ann Winterton
Conal Gregory	David Sumberg	Tim Boswell
Nicholas Winterton	Barry Porter	Cecil Franks
Neville Trotter	Jim Pawsey	David Knox
Robert Banks	Graham Riddick	Tim Devlin
Neil Thorne	Quentin Davies	Simon Coombs
Ian Bruce	Gary Waller	Ian Taylor
John Browne	David Ashby	Rupert Allason

John Blackburn	Robert Hughes	William Powell
Keith Mans	James Paice	Simon Burns
Jerry Hayes	Peter Griffiths	Roger Knapman
Christopher Gill	Ken Hargreaves	Robert Adley
Michael Colvin	David Shaw	Tony Speller
Elizabeth Peacock	Bill Walker	Neil Hamilton
Terry Dicks	Richard Holt	Winston Churchill
Norman Miscampbell	David Wilshire	Peter Temple-Morris
Tim Rathbone	Henry Bellingham	Anthony Nelson
Michael Woodcock	Andrew MacKay	Tim Janman
Vivien Bendall	Patrick McNair-Wilson	David Tredinnick
Jonathan Sayeed	David Atkinson	Gwylm Jones
David Porter	Chris Butler	Keith Raffan
John Carlisle	John Watts	Cyril Townsend
Douglas French	Tim Yeo	John Townend
Anthony Coombs	Patrick Cormack	Michael Shersby
Bill Cash	Richard Tracy	Jack Aspinwall
Den Dover		

That this House notes with concern the substantial acreage of vacant, derelict, underutilised or unused land in the ownership of central and local government, statutory undertakers, nationalised industries and other public bodies; recognises that at the current rate of net reduction, namely 7800 acres last year, it will take over 11 years to get rid of the 88,400 acres of vacant land currently on the land registers, excluding any additional acres which are added in the meantime resulting from planning blight, and land excluded because of the narrow definition of public wasted land; calls on the government to embark upon a radical programme of marketing and disposal of this national asset and to make more effective use of this wasted public resource, and so reduce the pressure for development on green field sites and preserve our countryside from over-exploitation; and draws attention to the imaginative proposals contained in the book *Public Land Utilisation Management Schemes (PLUMS)*, to be published on 13 July, to speed up the process of public land sales through privatising the process.

A SUMMARY

Successive governments have searched without success for a panacea to solve our inner city problems. A wide range of programmes has been initiated over the past 20 years. Vast sums of public money have been spent . . . but the problems continue. Some argue that they have got even worse in some areas, and blame the amount of public money that continues to be spent there. The hallmark of inner city communities remains their inability to help themselves, and their dependence on state aid.

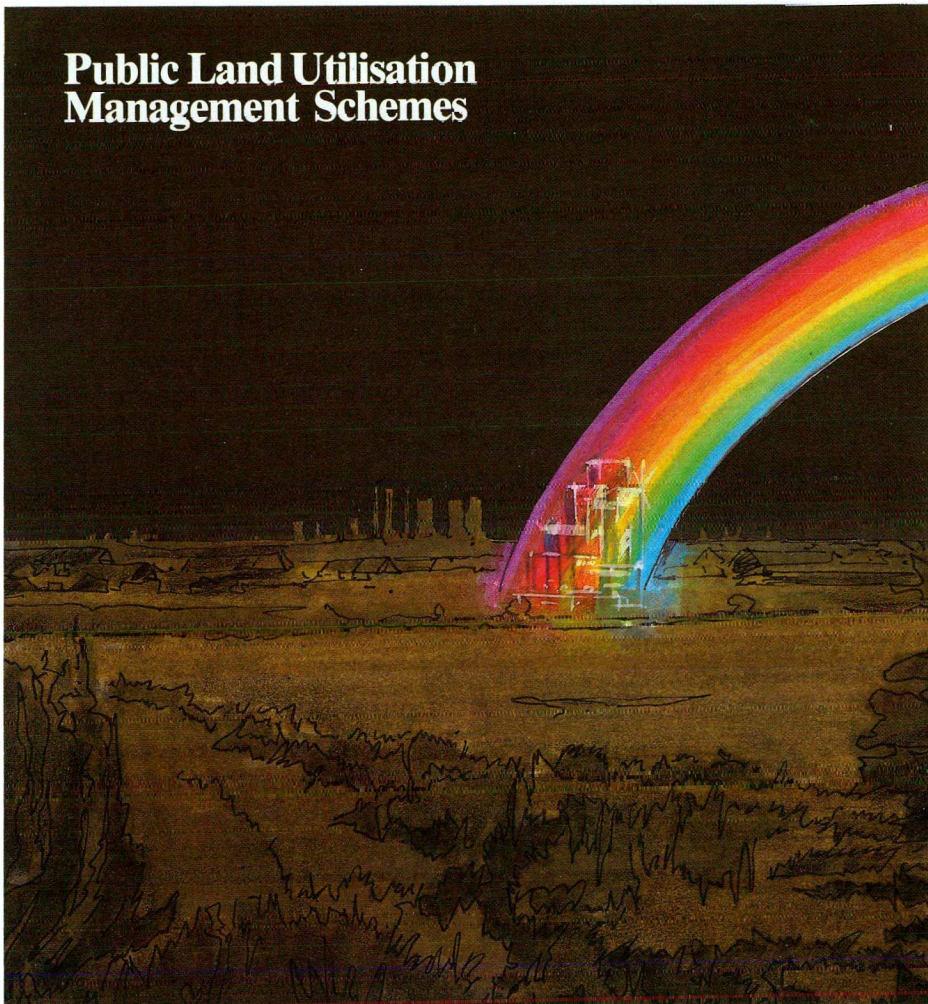
Whilst we recognise there is no single solution we are suggesting a new and radical initiative to be introduced by the government. Its novelty is a mechanism which is designed to harness hitherto wasted assets, namely vacant dormant and derelict land in public ownership. The new initiative is a "Public Land Utilisation Management Scheme" (PLUMS) — a limited company with a board of directors in whom the public wasteland is vested on a fixed day and thereafter on agreed dates, and whose task it is to prepare, market and sell it on to the private sector. The PLUMS acts as a catalyst — a channel through which public land is transmuted to private land and which in turn puts dead land to good use.

We set ourselves stringent requirements before selecting the mechanism of PLUMS. We want to avoid dependence on local and central Government. We did not want additional public funds, nor the bureaucracy associated with them. We needed a scheme which would ensure that everyone connected with it could benefit. We intended to make the operation subject to the rigours of company law — that meant thinking in terms of companies: private enterprise with shareholdings and private sector capital.

Apart from PLUMS two other mechanisms were considered: the first, "The Sale of the Century", at which all qualifying vacant land would be auctioned off, without reserve. It was argued that this approach was both simplistic and problematic, especially since the Government might be seen as using draconian powers to confiscate

land from the public sector and give it to private speculators for their pecuniary advantage.

The second involved 'Contracting Out'. Owners of wasted land would be mandated to contract out the marketing and development of these lands to professional managers from the private sector. Whilst this proposal is consistent with current Government initiatives in other areas, it did not meet the rigorous requirements set out above, nor does it guarantee the investment of private sector capital.



INTRODUCTION

The impetus fuelling this book is the recognition that a substantial acreage of vacant, dormant, underused and derelict land currently in the hands of state run organisations continues to be lost to the market. The failure to utilise fully the potential of this land creates an unnecessary brake on the speed at which regeneration of inner cities takes place. It also puts additional pressures on the green fields around our cities, especially in the South and South East!

The factors contributing to the failure to utilise these potentially productive acres are numerous; we list some:

1. lack of financial incentives to sell
2. absence of dynamic management
3. insufficient accountability of public sector managers
4. inadequate entrepreneurial motivation
5. lack of property development skills
6. political resistance by some local authorities.

PLUMS (Public Land Utilisation Management Schemes) offer a uniquely simple solution to the problem. They avoid all the major obstacles which have hitherto prevented the sale of public, unused and under-utilised land. Neither State funds nor civil servants are involved.

PLUMS are regionally based, public limited companies which could, in due course, have Stock Exchange listing; all those involved in PLUMS will have the opportunity to participate in future capital growth and dividends. The PLUMS are subject to the rigours which apply to all companies. Its managers are accountable to shareholders. Their development will be facilitated by the economies of scale. With private expertise concentrated in PLUMS the economic stagnation which has resulted from wasted land will be reversed. There will be new stimuli, especially at neighbourhood level, resulting from the encouragement of investment and new enterprises in hitherto abandoned wasteland. The innovative hands of private enterprise will be at work!

1 THE BACKGROUND

Like the stockmarket, interest in the inner city is cyclical, with the newly appointed inner city Supremo planning breakfast roadshows for private investors — similar to Michael Heseltine's initiatives when, as Environment Secretary in 1982, he breakfasted captains of industry and laid on inner city coach tours for financial institution managers.

Harold Wilson, when Prime Minister, made £20m available to solve the inner city problem, following Enoch Powell's "rivers of blood" speech in 1968. Ten years later Peter Shore, then Environment Secretary, produced a white paper on the inner city and an Inner Urban Area Act, with grants and loans to attract private investment.

Nearly a decade later in 1987 one of the first statements uttered by the Prime Minister, following her historic third term victory, was "we must do something about our inner cities".

The term "inner city" is misleading. Geographically it refers to what in America is called "down-town". In Britain it is synonymous with the poorest districts. Whilst many of the poorest districts are down-town, not all of them are. Equally poor areas are located on the vast soulless council estates on the cities' periphery.

STATE DEPENDENCE

All inner city areas have one common characteristic — the people there are dependent on state largesse; for housing, dole money, furnishing, supplementary benefit, attendance allowances, etc. Writ large over the inner city is "I am 100% state mortgaged". Keith Joseph coined the phrase "the cycle of deprivation", as if inner city malaise was a hereditary disease, passed down from generation to generation. We believe it is state induced. By perpetuating a dependent relationship the state has cultivated a "give me, give me"

mentality. If greater personal rewards and family income are offered by the state for people to do nothing but merely to accept their dependence, rather than giving incentives for those who strive for independence, then it is not surprising that the people who live in the inner city lack motivation and are content to accept their "disadvantage".

Dependence and the inevitable cycle of poverty has bred crime and violence. The young resent their dependence, turning against the system which has made them economic outcasts.

Without self-respect there will be no inner city resolution. Self-respect and self-reliance make for self-help. It is only by helping people of the inner city to help themselves that the inner city problems will disappear.

Inner city residents often seem less adequate, less able to cope, less able to survive in our complex world. Few will have capital or collateral to start businesses, those out of work have little chance of a loan to buy a house. Few are skilled or have today's sophisticated — and expensive — tools of trade, only their hands with which to earn a living. Many are elderly, from ethnic communities with poor educational attainments. Inner city populations are especially vulnerable to the vicissitudes of the economy, of the shift of capital and its effect on employment.

The inner city employment opportunity figures reveal a continual decline in employment from 4,826,000 in 1951 to 3,586,000 in 1981. Despite central and local government intervention, the cycle of cumulative deprivation has set in as the population has lost purchasing power, the retail trade and service industries decline, private house-building virtually seizing up and professional services deteriorating, with individual practitioners choosing greener pastures.

Successive governments have relied mainly on more public intervention and more public money in the hope that this will solve the problem. It has not. In many cases it merely leads to increased dependence and greater demands for more public benefit and services, aggravating the existing situation.

Whilst run-down areas can be superficially smartened up with public funds, the people living there remain unaffected and unchanged.

Attempts permanently to solve inner city problems have been numerous. For example, Harold Wilson switched the rate support grant from rural to urban areas, believing that would do the trick. Peter Walker (1972) established research projects (quality of life studies, neighbourhood projects, inner urban area studies). Labour (1974-79) pumped in more public money by way of an enlarged urban aid programme. Comprehensive community area schemes attempted to get local authorities to redefine priorities.

THE CONTINUOUS CRUSADE

With new initiatives such as "Enterprise Zones", "Freeports", "Urban Development Corporations" and "City Grants", the emphasis has switched to economic regeneration. Generating additional private investment will result in more jobs being created. This in turn will mean more money flowing to run-down areas which currently lack cash and are short of many services and facilities. New buildings will widen the rate base and increased home ownership will bring better services, new shops and the revival of run-down neighbourhoods.

Urban Development Corporations are an attempt to persuade investment fund managers, bankers and the like, but to what extent are they going to reverse inner city decline, is less certain. They rely on special over-riding powers, and on government funds.

PRESSURE ON THE SOUTH

It might have been expected that pressure from developers to build more houses in the South East and South West of Britain would have given a new sense of urgency to the need to get public vacant land released more quickly, and stimulate development in the inner cities. All that has happened is to increase the demand to release Green Belt land.

The Secretary of State for the Environment has revised his estimate of new houses needed in the South from 460,000 houses covering 50,550 acres to 494,000 houses over 53,700 acres, on the basis of 9.1 houses to the acre, to be built in the next 12 years. If 45,000 of them could be built in the 5,000 acres of inner London currently fenced off, many of the remaining 449,000 could be spread, not on the green fields but on vacant public land; the land in respect of which PLUMS are designed to deal with. The fundamental problem however persists. How to ensure that the vast areas of wasted land are taken out of the dead hands of their public sector owners and put to better use, is an urgent challenge. PLUMS provide the mechanism.



photo: Otto Hundt

2 PLANNING GENERATES WASTED LAND

The creation and accumulation of derelict and waste land are closely related to planning activity. In the United States a lack of planning generates no more land disuse than our over planning. But it does not produce publicly held and publicly accountable vacant derelict land.

But perhaps neither extreme is desirable. No planning, or totally comprehensive planning — perhaps we should go for a minimal planning which would provide adequate safeguards where they are really required but refrain from all other forms of land use interference. At least to many, our industrial heartlands and many of our urban conurbations could hardly look worse if there had been no planners at work.

The Planning Officers and Councillors of local authorities are custodians, on behalf of their community, of the property assets which the authority owns. They have no money to redevelop land themselves, even if they knew what to build. And the alternative of “selling out” to a third party — who might subsequently either “make a killing” or do nothing with it — leaves them open to public criticism. So they are reluctant to deal. Furthermore, as there is currently no machinery available to authorities to force private land owners to carry out some form of development on vacant land even when they do decide to sell, they seek to impose upon a potential purchaser a requirement to carry out some form of building operation — which firstly restricts the market to those who have the financial power to commit (and these are not necessarily the best developers for the site) and secondly puts a burden on the authority to decide at the time of sale what is the best use for the site.

FISCAL INTERVENTION

The argument that it is better to exchange non-income producing assets (such as vacant land) for cash, to allow the authorities then to

have monies readily available for reinvestment, although seemingly a sensible proposition, in reality does not readily occur. Under current government controls local authorities may not immediately spend all of their capital receipts. Capital receipts go into a "special account" and councils are only able to reinvest a small proportion of these monies in subsequent years. Consequently, administrations, of whatever political persuasion, are not easily able publicly to demonstrate to the electorate their effectiveness as "community managers" within the life span of their normal term of office.

The other aspect of the fiscal dimension is that where an authority receives rate support grant, there is no encouragement to develop vacant land for the purpose of increasing rateable income as the benefit of the extra income generated, in essence, goes to the Exchequer.

There is also the problem of bringing suitable sites together under one ownership for redevelopment. It is often the cumulative effect of scattered, separate sites, in different public sector ownerships that depresses the whole local environment. Compulsory purchase is a lengthy procedure and when the public sector is involved lengthy delays usually occur. Public landowners can fight just as furiously to defend territorial rights as any private individual, especially when they believe they can do better themselves with development or because the price on offer does not match their expectations.

Furthermore, as negotiations are conducted by public officials, and as lack of action is unlikely to affect their incomes, and efficiency wins them no bonuses, they are content to drag out the negotiations. Whereas in the private sector delay would lead to loss of jobs and ultimately bankruptcy. Besides officials dragging their feet there is no incentive for public authorities to speed up the process. Local authorities can keep capital receipts for the sale of land but central Government controls the annual rate at which they are currently spent.

There is also a possibility that the government may wish to include the proceeds from sales of public vacant land within the overall local authority controls on capital spending. The thought that this may

happen, stops any incentive for land sales out of the public sector. Local authorities lose out in many ways by sitting on vacant land, not least by the loss of rate income, if the land was utilised.

Public Land Utilisation Management Schemes



3 THE PROBLEM OF WASTED LAND

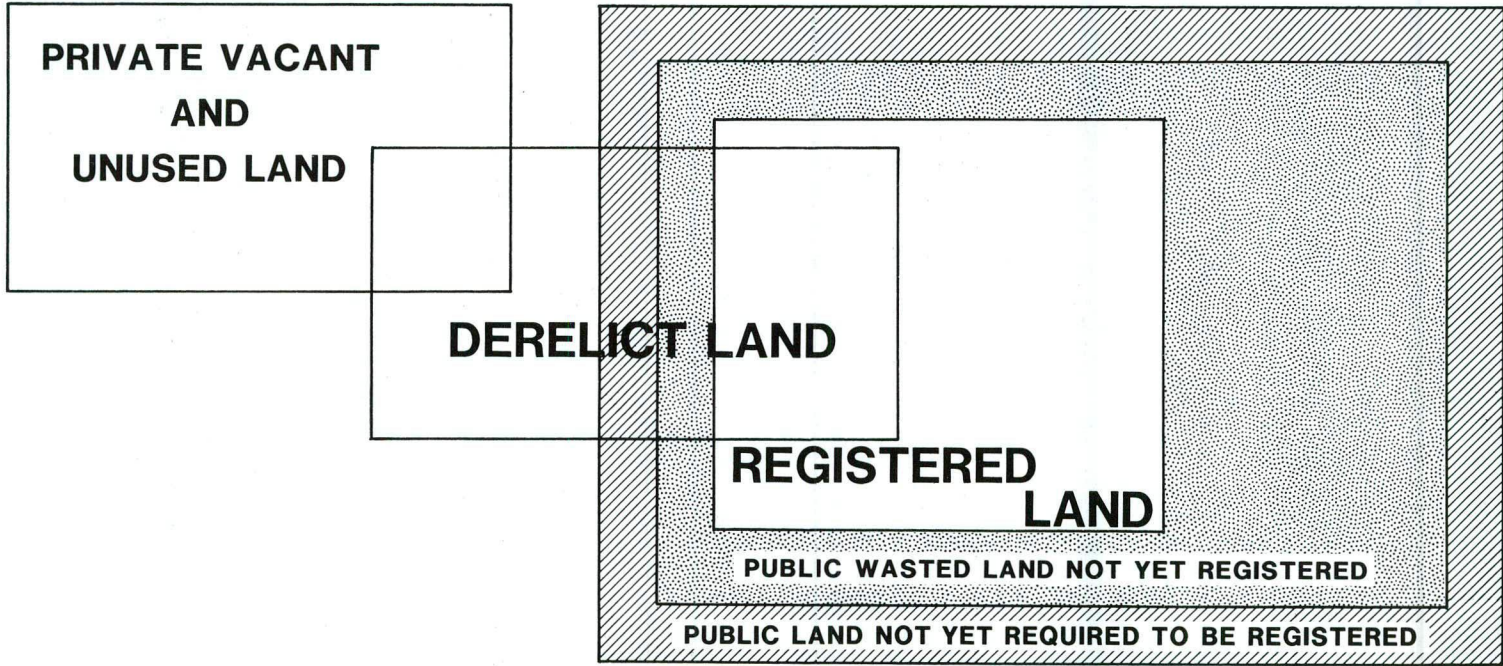
This initiative is about how to release vacant, dormant derelict and under-utilised public land, surplus to requirement, from those who own it and have no immediate plans to use it. It is about how to create the opportunity to bring such land back into productive use. It explains how land can be brought out of the State vaults and put to good use. It does not matter whether the land is owned, through Government departments, or owned directly by local authorities; whether it is land one stage removed or owned by quangos or by statutory undertakers, such as electricity and water boards — or the many other similar public bodies which proliferate through Britain.

The inner city shares a common characteristic — nearly every neighbourhood contains tracts of derelict, vacant and dormant land in public ownership. Land which is doing nothing; going nowhere; earning no money and paying no rates. It contributes nothing to the welfare or prosperity of the neighbourhood. Indeed its very existence is symptomatic of neglect, waste and physical dereliction. Sites on the Land Register are an indictment on the folly of public ownership and the massive misuse of a national asset. Just look at the list for one small authority (*see pages 18 and 19*).

Our solution explains how such public land can be “privatised”; how that privatisation will, through the injection of private finance, bring new prosperity to the neighbourhoods after years of neglect and decay; how the current owners of public land can profit, where presently they get nothing.

NEIGHBOURHOOD BLIGHT

The long term effect of public vacant land is its impact on the immediate neighbourhood. It decreases the willingness to investors and industrialists to come to an area if it is run-down and there is little prospect of improvement.



As a recent publication by the Federation of Civil Engineering Contractors states “Dereliction is not just an unfortunate lapse from the aesthetically desirable. It warps and stunts people’s lives; undermines morale; and in the regions worst hit by recession seriously prejudices the chances of economic recovery. An industrialist looking to establish his business in a new location is — whatever the other incentives may be — much less likely to choose a place whose overall environment speaks eloquently of recent failure.”

The inner cities are littered with derelict, neglected and abandoned land and buildings. Not just in the old business district but around it, in the middle city and also over the outer city and beyond.

Some of these sites are in local authority ownership, other belong to Government, Health Authorities, the Water Board or to the many Government quangos which still abound. All this land has two common characteristics — they are both wasting assets and currently eyesores. They are an affront to local residents.

CURRENT GOVERNMENT REMEDIES

Various reports have attempted to quantify the amount of wasted land. However, they all tend to use different definitions and criteria for including or excluding land within their survey.

Within the public sector the Government has pursued two separate initiatives, specifically directed at dealing with wasted land, namely:

1. The Land Registers, and
2. Derelict land grants.

Although these are, inevitably, sharply focussed measures each with their own definitions, qualifications and statutory procedures, there is, in practice, a significant overlap, as the diagram opposite illustrates.

1. THE LAND REGISTERS

“To date, some 159,000 acres of vacant land had been entered on the registers — which is in my view a shameful statistic, and evidence of the rightness of the concern about the land management practices of public authorities. Since then, there have been regular additions to, and removals from, the register. The additions have arisen chiefly as additional land has become surplus to the requirements of the public authorities and unused.”

Mr David Trippier
Under Secretary of State for the Environment
(House of Commons debate, 27 May 1988)

The Local Government Planning and Land Act 1980 introduced public registers of ‘underused’ land owned by public authorities and nationalised industries, including Crown Land.

The initial intention was to set up these registers in a limited number of local government areas only, with powers to require those public bodies (listed in the Act) to register their holdings of unused or insufficiently used land in a “registration area”. The Act also contained enabling powers for the Secretary of State to direct that any such land was to be sold.

The registers are compiled by the Secretary of State with the local council holding a copy, which is available for public inspection. Subsequently, the Act was extended so that Land Registers now cover all of England and Wales.

Who must register their land?

The following public sector owners must register their underused land:

1. A county council
2. A district council
3. A London borough council
4. The Common Council of the City of London
5. The Inner London Education Authority

6. A joint authority established by Part IV of the Local Government Act 1985
7. The Commission for the New Towns
8. A Development Corporation established under the New Towns Act 1981
9. An Urban Development Corporation
10. The Housing Corporation
11. The Civil Aviation Authority
12. British Shipbuilders
13. The British Steel Corporation
14. The National Coal Board
15. The British Broadcasting Corporation
16. The Independent Broadcasting Authority
17. The Post Office
18. Statutory undertakers (which are defined as persons authorised by any enactment to carry on any railway, light railway, road transport, water transport, canal, inland navigation, dock or harbour undertaking, or any undertaking for the supply of electricity, gas, hydraulic power or water).

What land must be registered?

The Act provides for the registration of public bodies' land which "in the opinion of the Secretary of State is not being used or not being sufficiently used for the purposes of the performance of the body's functions or of carrying on their undertaking". (He may direct public bodies to give him such information as he requires about land held by them or their wholly-owned subsidiaries.)

Thus, "public" land must be registered if it is:

- a. wholly or over a significant part, vacant or derelict, including empty or substantially empty buildings; or
- b. not in predominantly active or continuous use for the purpose for which it is held; or
- c. substantially underused in relation to the permitted uses of the land.

Examples of registerable land are sites held for future operational needs but in the meanwhile either not used at all, or used only for temporary car parking, grazing etc.; buildings awaiting demolition; and land which has ceased to be used for operational purposes (whether or not it has been declared surplus by its owners).

However, land does not have to be derelict before it can be entered on the land registers. At present, public bodies are required to register unused and underused sites of one acre or more in their ownership. The Secretary of State is, however, empowered to register underused publicly owned land whatever its size. In June 1987, for example, he announced that he is prepared to consider registering sites below one acre when they are brought to his attention by the private sector.

Crown land does not *have* to be registered. Thus the vast acreage owned by such Ministries as Defence, Health, Agriculture and Forestry are not subject to the mandatory listing requirements in respect of their vacant sites.

What exemptions are there to registration?

Land does not have to be registered if it —

- a. is both held and used as public open space, or allotment or for recreation; or
- b. has an area of less than one acre; or
- c. is a leasehold interest with less than seven years to run; or
- d. is, or has, in the last two years been used for agriculture and there is no planning permission or planning indication for its development; or
- e. is subject to a contract for development; or
- f. was acquired following blight or purchase notice, or by agreement in order to avoid hardship, by reason of a scheme firmly programmed to start within two years; or
- g. is to be maintained in its present state for reasons of security, safety or health (other than toxic contamination).

Mr. McCartney: The Minister has stated the Government's commitment to derelict land and the hon. Member for Taunton (Mr. Nicholson) commented on the vast tracts of land in Greater Manchester. Is it not a fact that in Greater Manchester Labour local authorities have one of the largest and the best programmes of derelict land reclamation in Europe? One difficulty that frustrates us that the Government have not provided the additional resources to maintain the type of activity that promotes the regeneration of urban land in both the public and private sectors. If the Government make that commitment, will the Minister give the commitment to increase greatly the resources available to local authorities that have such programmes so that they can develop them in conjunction with public and private enterprise?

Mr. Redwood asked the Secretary of State for the Environment if he will list the 10 largest public owners of derelict and unused land by acreage, together with the acreage held by each.

7. Mr. Heddle: To ask the Secretary of State for the Environment if he will indicate the number of acres of derelict and disused inner urban land sold by local authorities since the enactment of the Local Government Planning and Land Act 1982.

MR ANTHONY STEEN (CON - SOUTH HAMS):
2
TO ASK THE SECRETARY OF STATE FOR THE ENVIRONMENT, HOW MANY ACRES OF PUBLICLY OWNED DERELICT DORMANT LAND NOW APPEAR ON THE REGISTER OF VACANT LAND; AND HOW THAT COMPARES WITH THE FIGURES FOR EACH OF THE LAST THREE YEARS.

Mr. Craigen asked the Secretary of State for the Environment if he will list for each six-month period (a) how much underused public land was on the land registers, (b) how much land was added to the registers, (c) how much land was removed from the registers, divided between the amounts sold, the amounts brought back into use and the amounts removed in other ways, (d) how many notices issued under section 99 of the Local Government Planning and Land Act 1980 and how much land was involved, (e) how many directions he issued under section 98 of the Act and how much land was involved.

★Q103 Mr Anthony Steen (South Hams): To ask the Prime Minister, is she will ensure that all Government Departments publish details of vacant, dormant, derelict and underutilised land in their possession.

Mr. Pike: To ask the Secretary of State for the Environment, pursuant to his answer to the hon. Member for Burnley on 12 January, if he will list in the *Official Report* those authorities directed to dispose of land under section 98 of the Local Government, Planning and Land Act 1980 in the last 12 months.

4. Mr. Bowis: To ask the Secretary of State for the Environment how many acres of underutilised land handed over to the Property Services Agency by Government Departments for disposal, has not been sold after 12 months.

48. Mr. Burns: To ask the Secretary of State for the Environment what studies his Department has commissioned to examine the causes of inner-city land remaining vacant.

64. Mr. David Shaw: To ask the Secretary of State for the Environment if he will list the owners of public vacant land in respect of which he has issued more than three disposal notices since the procedures were introduced.

57. Mr. John Browne: To ask the Secretary of State for the Environment what steps he is taking in the context of the recent Government policy statement "Action for Inner Cities", to speed up the disposal of land from the land registers.

Mr. William Powell: To ask the Secretary of State for the Environment if he will list all the unused sites owned by public bodies within the district of Corby, together with their owners and sizes in acres.

Generally, if there is doubt whether land is unused or insufficiently used the Secretary of State will decide whether the land should be registered.

What powers are there to force disposals?

The statutory procedure for disposal of land on the register is for the Secretary of State to direct the owner of the site (or sites) to take steps to dispose of their interest in the land. Before issuing such a direction, he is required to give notice of his intention to do so and to give the owner time to make representations as to why a direction should not be made or as to its proposed contents.

It may be noted that under these provisions, there is no requirement for formal prior consultation with the relevant public body, but an owner who receives a disposal notice may make representations. The usual period for representations is 42 days or such longer period as the Secretary of State may allow. If representations have been made, he cannot make a disposal direction unless he is satisfied that the interest to which the direction relates can be disposed of without serious detriment to the performance of the owner's functions or the carrying on of its undertaking.

Apart from 'local authorities' and certain other public bodies, a direction cannot be made by the Secretary of State unless the "appropriate Minister" issues a certificate on the same terms as quoted above.

Shortcomings of the Land Registers

In a report by the Adam Smith Institute reference is made to the House-Builders Federation's claim that, based on an examination of 63 Registers, "some local authorities are manipulating the rules to avoid releasing many of the best sites". The report also claimed that "the system is . . . too dependent upon vigilance and harassment from the centre", and suggested a possible contracting out of the compilation and monitoring of the register (*Why waste land?* Adam Smith Institute, February, 1987).

In a speech to a Royal Town Planning Institute meeting in Oxfordshire in November 1986, John Patten, then a junior DoE Minister, announced

“Increasing numbers of requests are being made by people to draw to the Secretary of State’s attention pieces of publicly owned land suitable for registration and to ask him to use his powers of direction. A substantial programme of forced disposal is underway, using the Secretary of State’s powers under the Act and as evidence of our determination to get land back into use we have initiated the statutory procedures on more than 140 sites. However, the statutory procedures require an elaborate, cumbersome and time-consuming process. We propose therefore new legislation at the earliest opportunity to improve the database of idle land and to streamline the statutory procedures. The proposed legislation would make owners give us information about idle land instead of waiting until asked, and allow us to modify the directions to sell which we have made, if it appears necessary.

This means that we shall no longer have to drop directions if later information shows them to have been inappropriate but will be able to press ahead with them, tailored to meet the new circumstances. I hope this new weapon will hasten the removal of idle land from the register.”

These new measures are now contained in the Local Government Act, which inserts a new provision into the 1980 Act, and requires the Secretary of State to send a copy of a register entry and, when applicable, amendments to the entry, to the relevant public body. If it becomes aware of any inaccuracy in the entry it must correct it and notify the DoE accordingly.

Problems with fragmented ownership

The land registers, in themselves are nothing but lists of sites offered for inclusion by ~~the~~ public sector owners. Frequently different public owners own adjacent or neighbouring sites. No attempt is made to try and “package” these differently owned sites into a commercially viable and sensibly sized development unit. Take just

one district, for example, whose five separate owners have over 50 separate sites listed:

Land Register for
Corby District Council

<i>Owner/location</i>	<i>Size (in acres)</i>
<i>British Steel Corporation</i>	
Iron and Steelworks, Corby works	1.4
Timber stores road one, Corby works	1.2
Ex-steelworks buildings, Corby works	5.6
Training centre, Corby works	2.6
<i>Northampton County Council</i>	
Bears lane junction, Weldon	1.3
Oakley road roundabout, Corby	2.4
Rear of Tresham college, Corby	2.9
Rowlett road, Corby	12.5
Oakley road roundabout, Corby	3.0
Part of Earlstrees playing field, Corby	8.8
<i>Commission for the New Towns</i>	
Gretton brook road, Corby	8.9
Causeway road, Corby	3.4
Causeway road, Corby	6.9
Causeway road, Corby	3.7
Land off Macadam road, Corby	11.7
Gretton brook road, Corby	8.6
Brunel road, Corby	5.2
Hunters road, Weldon	1.4
Land in Great Oakley village	27.2
Land in Great Oakley village	6.1
George street, Corby	1.2
Pywell road, Corby	2.0
Pywell road, Corby	1.4
Shelton road, Corby	1.4
Shelton road, Corby	4.5
Shelton road, Corby	3.2
Sondes road, Corby	6.7

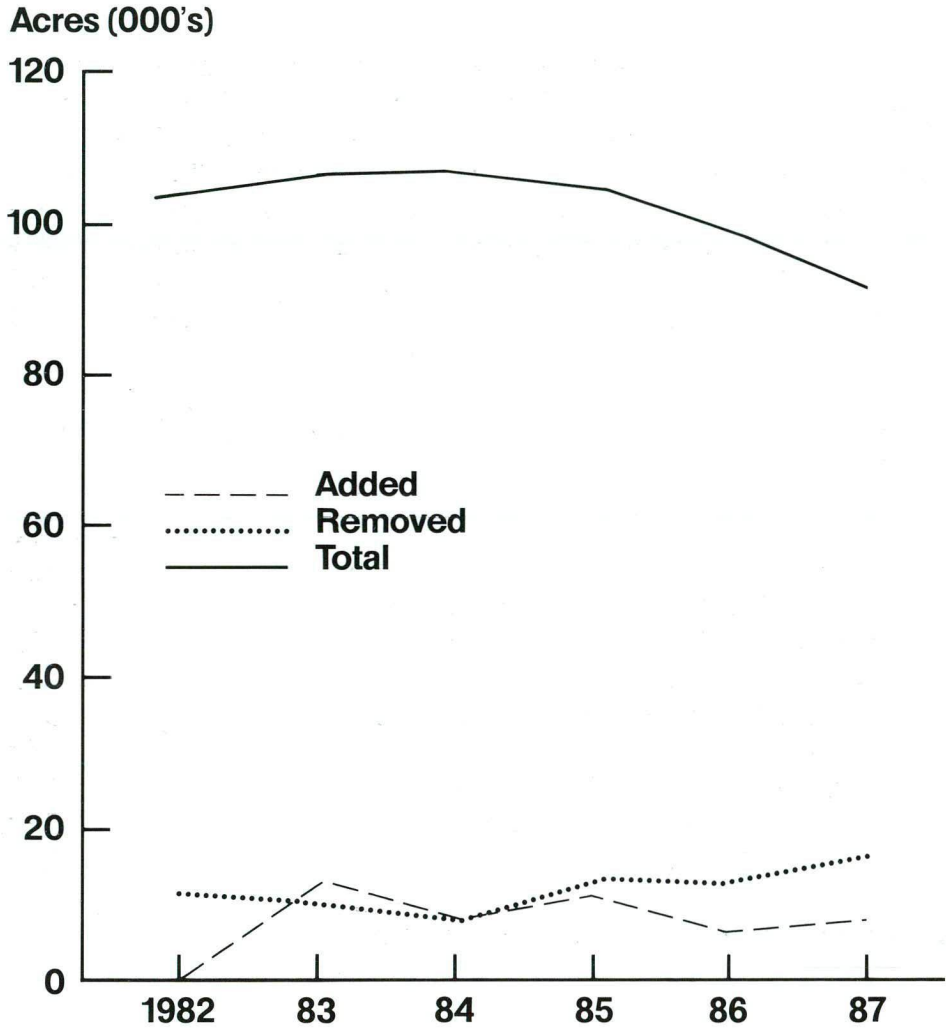
Sondes road, Corby	9.7
Sondes road, Corby	7.1
Shelton road, Corby	5.0
Shelton road, Corby	11.8
Saxon way east, Oakley Hay	6.3
Saxon way east, Oakley Hay	2.8
Saxon way east, Oakley Hay	2.4
Sedge close, Oakley Hay	4.1
Sedge close, Oakley Hay	5.4
Pywell road, Corby	2.0
Pywell road, Corby	2.4
Kettering road roundabout, Oakley Hay	1.2
<i>Corby District Council</i>	
Orchard close, Weldon	1.0
Church street, Weldon	2.6
Southfield road, Gretton	1.0
Rockingham road, Corby	1.6
Weldon road, Corby	5.0
Geddington road, Corby	1.0
Ennerdale road, Corby	6.5
Saxon way, Oakley Hay	41.6
“The heavy end”, Weldon road, Corby	201.4
Longhills slag bank site, Weldon	22.5
Ex-British steel site, Weldon road, Corby	24.8
<i>Oxford Regional Health Authority</i>	
Willow brook road, Corby	4.0

Source: Hansard Column 270 15 April 1988

Performance

In spite of tightening up the procedures the graph overleaf tracks the progress of the land registers. As will be seen, the total area of land on the register has remained stubbornly around the 100,000 acres level. (And that only relates to the land which is actually on the register, which is a significant understatement of the true total of public land *actually* vacant.) Furthermore much land has been removed from the Register as a result of the privatisation of

Movements of Land On and Off the Land Register



nationalised industries.

The Secretary of State has been adopting a tougher attitude in the last year towards public sector owners who are failing to dispose of their wasted land.

However, it is a slow process as witnessed by the figures. The first notices and directions issued under Sections 99 and 98 of the 1980 Act were issued in 1984 and, by the end of June 1987 over 220 notices and over 50 directions had been issued, affecting about 1,250 acres and 260 acres of land respectively. Some sites have been the subject of more than one notice or direction: for example, in the first half of 1987, 29 notices were issued, of which one was to vary and two to revoke previous notices; and 6 directions were issued, of which 2 were to revoke previous directions.

Currently, the largest public sector owners of wasted land are as follows:

	Acreage
British Rail	9,339
Central Electricity Generating Board	3,258
Warrington Development Corporation	2,123
National Coal Board	2,011
Telford Development Corporation	1,989
British Steel Corporation	1,358
Kent County Council	1,345
Tyne and Wear County Council	1,319
Leeds City Council	1,233

Source: Department of the Environment

2. DERELICT LAND

The Department of Environment carried out a survey of “derelict land” in 1982. According to their definition it included land so damaged by industrial or other development that it is incapable of beneficial use without treatment.

This definition excludes a wide variety of land which is damaged, for example, land which is neglected or overgrown; damaged by development which is subject to planning agreements or its restriction; in industrial or other recognised use; awaiting future development.

The good news — nearly 42,000 acres of derelict land were restored between 1974 – 1982, or about 5,240 acres per year.

The bad news — the amount of recorded dereliction was higher than in 1982 than in 1974 with some 113,000 acres still derelict. 73% of this was derelict land from mining, quarrying, defence installations, disused railway land. The remaining 27% from disused industrial areas such as gasworks, power stations, docks, shipbuilding yards, mills and factories which have closed as a result of modern restructuring.

17,858 acres of derelict land in England are owned by County or District Councils, 28,076 acres by other public bodies. In total 40% of derelict land was in public ownership at the date of the survey. The largest concentration of publicly owned land included:

Greater London	3,763 acres
West Midlands	1,848 acres
Greater Manchester	5,977 acres
Merseyside	2,466 acres
South Yorkshire	1,495 acres
West Yorkshire	2,486 acres
Tyne and Wear	2,436 acres

Taken together the total of publicly owned derelict land in these seven areas alone equals over 20,473 acres. This public dereliction represent an equivalent to about 30 Cities of London. And these

figures exclude all those categories of wasted land and smaller sites which do not fall within the official definition.



photo: Otto Hundt

3. THE WASTED LAND MACHINE

It is not just the vast acreage of public derelict land which the 1982 survey has shown up, but the underlying trend of an average of some 2,000 acres of additional derelict, public land which has been added in each of the years between 1974-82. In spite of the considerable progress made in getting rid of derelict land during those years, we still seem to go on producing more.

Professor Alice Coleman and others believe that the current estimate of vacant, public wasted land, far from being limited to the 88,700 acres on the register, is at least double that amount, and that the register has only shown up the tip of the iceberg. Professor Chisholm of Cambridge and Dr Kivell of Keele University in their recent publication *Inner City Waste Land*, endorse the estimates that there are some 200,000 hectares of vacant land in England, mostly in urban areas. The London Boroughs Association believes there is more than 5,000 acres of inner London alone now fenced off and derelict which could be turned into a £5 billion asset (in 1981 it was estimated that there was 30 square miles of waste land in London, whereas the land registers showed only 8). By using these sites for housing thousands of jobs could be generated and so reduce the necessity of developing on to so many green field sites elsewhere.

The problem of accurately estimating the amount of wasted land is aggravated by the many different definitions and exclusions which in turn result in a large distortion as to the extent of our national wasting asset. Derelict land, if it is public owned, may or may not be on the vacant land register. Furthermore, the vast expenditure of public funds on improving derelict land does not in itself ensure that the land is being brought into productive use. Essentially, public expenditure on this kind of land has been more concerned with visual and amenity issues rather than the economic revival.

4. CONCLUSION

Land Registers lack teeth and probably exclude a majority of public underused land. At best, they only bring into focus part of the total stock of underused public land holdings.

A much more vigorous and effective approach is needed to ensure all public wasted land is made available for use and a proper attempt thereby made to alleviate some of the ever outward bound pressures on the surrounding countryside and green belts. The alternative new initiatives are examined in the next Chapter.

4 ALTERNATIVE SOLUTIONS

The Government has long recognised the connection between depressed neighbourhoods and derelict and vacant land (derelict land grants, enterprise zones, urban development corporations, garden festivals, operation groundwork, inner city enterprises plc, joint private/public partnership, urban development grants, urban programmes, etc). The problem is not one of identification but more how to speed up the process without confiscation and vast injection of public money. Many public authorities believe they have a great deal to lose if they abandon their claims to acres of land and pass it on to some private developer, possibly at a knock-down price, especially as there may be an occasion in the future when they may wish to use the land for the benefit of the community.

We see three possible approaches to providing a solution:

1. The sale of the century;
2. Contracting out;
3. PLUMS – Public Land Utilisation Management Schemes – the privatisation of public land, which we examine in detail.

ALTERNATIVE NO.1 – THE SALE OF THE CENTURY

On the appointed day, all wasted land in public ownership and on the register, would be put up for sale, by auction, without reserve. The result could be that most public vacant land would be sold and immediately become private vacant land. This would, in theory, solve the problem of wasted public land, overnight, because it has become private vacant land. This however merely transfers the problem from the public to the private sector.

Some land may not sell at all because of its negative value but it may be eligible for development grants. Other land will sell for £1 or

millions of pounds. So, instead of land in public ownership which is vacant and derelict, there will be land in private ownership which is vacant and derelict. This then becomes a planning and community problem. (John Loveless, in his book *The Waste Land* (Adam Smith Institute, 1983), suggests increasing land tax on private held vacant land, and goading private owners who sit on vacant land into some sort of action.)

The sale of the century bristles with political problems, namely the government would be viewed as confiscating an asset from a public authority — robbing the community of its potential and forcing a sale at a rock bottom price, possibly to be exploited by private speculators who would make money at the public's expense. It would be another example of the unacceptable face of capitalism. This appears the most serious criticism of what would otherwise appear to be an attractive proposal. It also militates against the proposal formulated in *New Life for Old Cities* (1981) which envisaged auction purchase notices which could be served on public authorities by a private individual and would have to be put up for auction if the authority was unable to put it to constructive use.

A variation of the idea, by which public authorities would have to release each year, say 25% of all the land held in their portfolio which was surplus to requirement, might still be worthy of investigation. Similarly, the ideas put forward in *Our Pleasant Land* (Baker and Wiggin) suffer from the same shortcomings. We therefore reject the sale of the century, attractive and simple though the solution would be, because of the risks which would result if that course was pursued, and the absence of any guarantee that the land, once sold, would not remain wasted.

ALTERNATIVE NO.2 – CONTRACTING OUT

The second alternative is slower, and does not guarantee a satisfactory solution, but is consistent with the government's current approach to local authorities, whereby they would contract out the responsibility for marketing their vacant and derelict land to a third party. This would be done by government instructing the public and local authorities that within 12 months from the date of the passing of an Order, professional managers from the private

sector, who would be charged with responsibility for managing, and selling the authority's wasteland, would have to be appointed.

In this way each public authority would be obliged to appoint its own professional advisers. They could select estate agents, builders, surveyors, property developers — there would be no restrictions on the appointment, just an obligation to appoint someone in the private sector with the responsibility of selling the land. Public authorities would be able to decide the method of remuneration: this could be through a commission, to encourage sales. But there would also have to be a limitation period, say three years, after which any land not sold would either go back into the public authority's land bank, or be put up to public auction. And here we come up against the criticism of the public auction system.

Contracting out would mean that for example nationalised industries, who currently have their own property management department to get rid of surplus land, would not be able to shelter behind their own organisation. They would have to appoint an outside firm to do the job. The independent agency's job would be to sell the land, using all its private entrepreneurial marketing skills. If this system is to work, the government would have to reconsider the present arrangements with regard to capital receipts, so there was a real incentive for the public authority to sell the land if the private manager found a customer.

ALTERNATIVE NO.3 – PRIVATISATION OF PUBLIC WASTED LAND (PLUMS)

This solution is by far the most radical and far reaching and upon its success, we believe, hinges a major new thrust for the regeneration of Britain's inner cities. It is the denationalisation of publicly held vacant land — transferring ownership from the public to the private sector which is then charged with the responsibility of physically preparing, marketing and selling the land. The profits go directly to the shareholders, including the public and local authorities who originally owned the land. We look at this solution — PLUMS — in greater detail in the following chapters.

Public Land Utilisation Management Schemes



5 PUBLIC LAND UTILISATION MANAGEMENT SCHEMES

All vacant and derelict land — and it would not matter whether the land was in the ownership of Government, local authority, statutory undertakers, or Quangos — would vest on the appointed day in a holding company, a public limited company under the Public Land Utilisation Management Scheme. All PLUMS will be based on a region, county, borough or district council area and would be responsible for acquiring all public vacant or derelict land at its open market value, as determined by the district valuer, as it became available. In exchange for vesting the land into the PLUMS the owner would receive shares equal to the value of land which is being transferred. Initially all land on the register would be transferred, with other land following as it became available.

The PLUMS would be incorporated along standard public limited company lines having a Memorandum and Articles of Association. The value of the land would be determined by the District Valuer, and the value of the shares at the time of each acquisition would be determined by the PLUMS' auditor. (The initial value of each share would be at par.) Negative land values could be dealt with in an individual portfolio by taking the values in aggregate and adjusting the number of shares issued to that owner.

The Government, after consultation with the local and public authorities involved, would initially appoint the Chairman and Directors, drawn from the private sector, to manage and develop the PLUMS assets and encourage private investment.

To raise the necessary working capital and to encourage the full participation of the private sector, we believe that some PLUMS' boards would wish to put out to tender the task of managing and developing their land assets. This would include the injection of the necessary working capital. In short the approach would be akin to franchising i.e. bidding for the right to operate regional-based PLUMS. For example, the terms under which the management of

the assets is offered could well include the requirement that the managers back the venture by injecting a minimum amount of working capital in return for an agreed equity participation. A balance between 'stick and carrot' could be achieved as the selected PLUMS managers would be given a strong motive to see that land is quickly and fully utilised. The success of the managers would therefore directly benefit the shareholders of the PLUMS.

In addition PLUMS can use the well-tried routes of capital raising through the full range of recognised debt/equity loan arrangements.

The denationalisation of public wasted land is thus achieved — with PLUMS as a halfway house. They provide the mechanism for transferring public vacant land into the private sector via an agency able to develop and market the land and give back to the original vendor, a share of the profits. PLUMS will also be free from local authority or quango controls and interference.

By adopting this route the responsibility and burdens of ownership will be shifted. PLUMS provide the catalyst of harnessing enterprise.

Another distinct feature is that PLUMS open up the opportunity of rationalisation and application of good estate management techniques through bringing together various parcels of land, in an area, under one owner.

THE RATIONALE FOR PLUMS

The case in support of the PLUMS concept is argued through the following Questions and Answers:

Question: What are PLUMS?

Answer: They are public limited companies established to acquire and effectively manage vacant, derelict and dormant land currently owned by Government, quasi-Government agencies, Quangos, local authorities and other public bodies within a given region.

Question: What are the aims of PLUMS?

Answer: Their primary aim is to provide a vehicle for the purchase of wasted land which avoids the political, financial, administrative and logistical constraints that currently hamper the efficient utilisation of such land. The land owners are given shares in PLUMS which enable them to participate in future profits.

Question: Why is there a need for PLUMS at all?

Answer: At present some 5% of the land area in the inner cities is estimated to be vacant and derelict land.

The Association of London Boroughs asserts that more than 5,000 acres of inner London, now fenced off and derelict, could be turned into a £5bn asset (*The Times* 30 November 1987).

The free enterprise organisation, Aims of Industry, says in a recent report that the real challenge to rejuvenating England's cities lies in the inner ring which surround the heart of the city. The report suggests, among other things, that property disposal boards should be set up to accelerate the sale of public land and private sector lands should be relieved of capital gains tax liability (*Financial Times* 16 November 1987).

There can be little doubt that Central Government needs the helping hand of the private sector to attract the vast sums of requisite

capital needed to realise the economic potential of these hitherto wasted assets.

Existing initiatives e.g. the UDCs, simply do not have the capacity to provide the composite answers beyond their own relatively modest geographical area. PLUMS on the other hand will provide the framework for a partnership between the owners of public vacant and derelict land and the private sector providers of capital and expertise throughout the entire region. PLUMS provide a conduit for overcoming the constraints to more efficient and effective land utilisation.

Question: Who benefits from the establishment of PLUMS?

Answer: The sellers of the land and the investors from the private sector. Both will benefit from prospective capital growth of their shareholdings and the dividends they receive due to the dynamic management of otherwise dormant assets.

The residents of the inner city areas will benefit from the neighbourhood effects created by actual use and development of sites currently vacant and derelict. Additional employment opportunities, and benefits to local economy will inevitably follow, the aesthetics of the area would improve, and the spin off will ripple over the boundaries into neighbouring areas.

The existing public sector owners will be able to reduce their manpower commitment and their budgets can be redrafted since the financial requirement will be lessened following the transfer of the land.

Question: Are PLUMS in the interest of the residents in the inner city areas?

Answer: The growth and the problems stemming directly and indirectly from vacant, derelict land are well documented. Yet the potential of large, vacant and derelict plots suggests the possibility of significant growth points within inactive local economies acting as a catalyst for further activity. The transfer of land to PLUMS will ensure that it is actively managed.

Question: What land goes into PLUMS?

Answer: On the appointed day, all land currently on the Register will go into PLUMS. However the current definition of public wasted land is limited — a far wider and more flexible definition of land that should qualify ought to be considered. Perhaps “all land not needed for the immediate operational purposes by any public authority” is a better and more satisfactory definition. Another example is that land under one acre is not currently required to be put on the register. We believe it should be. We also consider public vacant land for which no realistic development proposals has been approved (including evidence of the necessary finance) should also be placed on the Register.

We also propose that, after the appointed day, all new land remaining on the Register for more than 6 months, will be automatically transferred to the PLUMS.

Question: How is the land acquired and transferred to the PLUMS?

Answer: Initially all land that is on the Register will on a specific date be transferred by its owners to the appropriate regional PLUMS. From then on all “qualifying” land will automatically pass to the PLUMS, if still on the Register after, say, six months.

Question: How will owners be compensated?

Answer: Ordinary shares in the PLUMS equal to the value of the land will be issued in exchange for the interest conveyed. These shares will reflect the value of the parcel of land which has been exchanged by the public authority, as per the District Valuer’s valuation. The value of each share will be certified by the PLUMS’ auditors.

All that has happened is that the ownership has passed in exchange for shares of value equal to that put on the land by the District Valuer. PLUMS, in essence, are the partnership vehicle forming the link between the landowner, the private sector expertise in property development and management, and the providers of capital.

Question: Can an owner buy back his land?

Answer: To avoid possible arguments from vendors over the transfer of their land to PLUMS, land transferred could be subject to some limited right to re-acquire the land from the PLUMS at the then open market value. However vendors would have to satisfy central Government that this need was for a bona fide, approved, purpose.

Question: Who would value the land?

Answer: We suggest that the District Valuer would determine the price which fairly represents the current open market value at the date of transfer into the PLUMS. (The District Valuer is an independent Government appointed valuation surveyer.)

Question: Why should the current owners of land give up their ownership rights?

Answer: The very fact that the land is on the Register means that it is vacant, and available for sale. The requirement will be for owners to transfer to regional PLUMS, any vacant land which has not been sold within a given time. However, they are selling wasted land for valuable consideration; they are not having it forfeited. They are merely switching into a more viable conduit for optimal utilisation of their assets. The landowners will hold a pro-rata interest, exchanging land for shares but giving the responsibility for doing something with that land to those with a single task of making something of it. The constraints to the full utilisation of resources must be removed in an attempt to generate new economic activity. The PLUMS provide just such an operating conduit that effectively avoids previous constraints and provides the potential for financial growth for all concerned.

Question: How are PLUMS formed? Who decides on its Board of Management?

Answer: The formation of a public limited company is quick, and easily accomplished. We propose that initially for the first years of its operation the Government should appoint the Chairman and

Board members, after consultation with the public authorities whose land will go into the local PLUMS. The directors will be persons of professional and commercial experience who will be charged with assembling a management team.

If thought appropriate minority shareholders' interests could be protected in a number of ways: HMG could retain the right to appoint a majority of the Board Members or alternatively the vendors of the land could be issued with 'B' type ordinary shares which have the same rights as the 'A' type ordinary shares, but are non-voting.

Question: How will PLUMS be funded?

Answer: The initial operating capital can be obtained in a number of ways, e.g. by bank loans against the security of land assets, by raising funds by way of increased share capital, by selling property and, of course venture and equity capital.

Question: Is there any special new legislation required in the case of the PLUMS?

Answer: No, not really, but an amendment would need to be made to the Local Government Planning & Land Act 1980 to extend the Land Registers to implement the PLUMS proposals.

Question: Why are PLUMS different from UDCs?

Answer: The differences are enormous.

PLUMS require no funds from the government.

PLUMS are subject to the strict discipline of company law, are subject to statutory audit and are accountable to shareholders. The public is familiar with the rights and risks of share ownership and have a good understanding of the rules and regulations that apply.

The operating finance and development capital would be forthcoming from the private sector, although nothing would prevent a

local government authority or quasi-government agency from investing in the PLUMS should they deem this to be in their interest.

The performance of the PLUMS can be judged against other companies in the same sector and dissatisfied shareholders could effect a change in management policies, or the composition of the management team itself.

PLUMS cover entire areas or regions.

PLUMS do not override local authority planning and other functions.

Question: Why should the management of land transferred to the PLUMS result in something better than that which is currently experienced?

Answer: Because there is a profit motive and an incentive for the managers, who are accountable to the Directors and in turn the shareholders (the original landowners), to succeed. That is their job.

The land transferred to the PLUMS, by its very definition, is land that is vacant and derelict, which would be more efficiently utilised when transferred to this potentially dynamic development conduit.

Present owners of the land often are not always able to recognise or to realise the economic potential of their land, or do not have the necessary capital and incentive to exploit the potential of these assets. A seasoned property management team is better suited to operating in this highly specialised market.

The raising of adequate finance demands a sound project and commercial expertise — the task of experienced developers and financiers.

PLUMS would enjoy economies of scale i.e. it would make financial sense to hire suitable personnel for these management tasks for the regional aggregation of the individual vacant sites. At present, adjacent vacant and wasted sites are in different public ownerships and the absence of any overall management inhibits this compre-

hensive development. PLUMS will also be able to acquire, by agreement, intervening or neighbouring sites to permit more logical and large scale development.

Question: Why would the local authority give the necessary planning permission for land transferred to the PLUMS?

Answer: There is no guarantee that planning permission would be granted, but the transfer of land to the PLUMS greatly improves the probability of this occurring because:

The private owner has an economic incentive to press tenaciously for planning permission, even if this requires resort to an appeal.

The conflicts which often exist between an authority's position as the local planning authority, and as a landowner, are avoided.

In any event it will take these wasting assets out of the control of the public sector.



6 THE FINANCIAL ASPECTS OF PLUMS AND TAX INCENTIVES

Clearly the involvement of private sector finance, expertise and management is essential to the success of PLUMS. But as corporate vehicles they are no different to any other public limited company, as the following Questions and Answers show.

Question: What guarantee is there that PLUMS will prove financially viable and what happens if the company fails?

Answer: Every commercial enterprise involves risk. There is no guarantee that all PLUMS will prove successful. There is, however, the guarantee that unwise decisions will be open to scrutiny and that management changes can be instigated by unsatisfied shareholders.

If the PLUMS company fails it will be liquidated and the assets realised at the best price. The new owners of the sites will then be in a position to apply their ingenuity to finding profitable uses of the land. The process is dynamic, removes the inertia of government and quasi-government agencies, and injects the energy and capital of private enterprise.

Question: How is flexibility built into the financial structuring of the PLUMS?

Answer: The structural alternatives for the PLUMS provide important flexibility to meet the requirements of particular vendors of land and other investors in PLUMS.

The Directors of PLUMS will have the full range of innovative financing at their disposal to satisfy the various participants and ensure the financial integrity of the company. For example, financiers might prefer to invest if their securities were divided between redeemable stock and ordinary shares. This spreads the risk they face, but still gives them a stake in the company's growth.

Question: How will PLUMS obtain a stock exchange listing?

Answer: The Stock Exchange rules are explicit in the requirements for a listing for all companies, contained in its "Yellow Book".

Although it is possible that some of the PLUMS will not meet these requirements, as a guide a company can obtain a quotation on the Unlisted Securities Market after three years of trading, or a full listing on the Stock Exchange after five years trading. The benefit of a quotation for the shares, means that an open market will be created for the sale and purchase of shares in PLUMS.

TAX INCENTIVES

It will obviously be advantageous if the PLUMS were to benefit from tax allowances, in order to attract investors and stimulate development.

These could take various forms. For example, the Government might allow PLUMS to have some form of special tax status — to allow their investors tax relief. This could be as an extension of the BES arrangements. Another mechanism is the creation of Industrial Revenue Bonds. These will assist in raising capital by encouraging investors in funding the necessary infrastructure in land owned by the PLUMS. (It is this injection of new money which could result in a rapid change in the dereliction pattern, especially widespread in the North and in the Midlands.)

INDUSTRIAL REVENUE BONDS

The introduction of Industrial Revenue Bonds — new to this country but common in the United States — could provide a second or alternative source of investment. Such bonds, with tax-free interest, would have an added advantage in that, apart from their basic attraction to investors and users alike, they could increase the viability of development projects and absorb some of the extra costs attributable, even taking possible grants into account, of inner-city schemes.

In the United States, such bonds may be raised by public bodies to finance the building of projects such as airports, sports stadia and factories. They have a maturing date and interest rates are set to take account of risk and the credit-worthiness of the organisation involved. The tax-free interest tends to appeal to individuals and companies in higher tax brackets.

If adopted, PLUMS would be able to offer Bonds at a lower than normal market rate of interest yet still enable the subscriber to receive a better than normal rate of return. The bonds would be issued by the PLUMS, subject to approval from central government, which could limit the size, number and location of bond issues in any one year. The PLUMS would issue information about the prospects of the particular area and projects, the economic potential of the scheme, together with the likely number of jobs to be created, and the benefit to the local community. Small issues might be placed privately. As is the case with Enterprise Zone schemes, the bonds would have little appeal to institutions, such as pension funds, which do not pay tax.

The relative relationship of industrial revenue bonds to general interest rates would vary to reflect confidence in particular projects and the liability of tax of individual investors, but normally bond rates could be set two to four points below current rates and still expect to attract long-term commitment.

The advantages to both sides may become easier to understand from a simple example which is contained in Appendix 1.

APPENDIX 1: ILLUSTRATION OF INDUSTRIAL REVENUE BONDS

Industrial Revenue Bonds are a tax exempt form of investment extensively used in the USA to stimulate the redevelopment of inner city areas.

While cheaper money is of course everyone's dream, there is good reason for bringing it down in the inner city. In the first place, it would help offset development costs. More important, it can greatly help viability by reducing costs in the early years when high cash flows are often difficult, if not impossible, to sustain.

Renewal of the inner city is a pioneering activity. Shops, offices and other work space can take longer to let, and tend often to be occupied by less well-established tenants, some of whose business operations are likely to fail. This is even more possible given that management costs are often higher and levels of business are often lower simply because the area is on the fringes. After several years, the picture should be quite different as the urban renewal process begins to transform the area.

The difference which low cost longer-term borrowing can make to cash flow is significant. If a company borrows an orthodox loan of £150,000 at 10 per cent over two years, then it will have to pay £75,000 or half the loan itself, back in the first year plus £11,250 averaged interest. Total outgoings will be £86,250.

The same loan through an Industrial Revenue Bond would have a completely different effect on company finances. The payments would be made over a longer period. The company would raise the same amount of money, but at seven per cent over 10 years. Repayments of principal in the first year would amount to £15,000, which with £10,500 interest would make £25,500 altogether. With traditional funding over two years, repayments would be about 240 per cent higher in the first year, at a time when the company is least likely to be able to afford such heavy outgoings. About 60 per cent

of loans to the small business sector mature within one year, the rest normally being for between two to four years. Obviously, shorter-term, more expensive borrowing, increases the possibility of bankruptcy.

Industrial Revenue Bonds offer an exciting financing option for promoting the development of dormant, derelict, and vacant land. The need to lower the cost of capital to encourage development on these lands may be attributed to a number of unique financial features of these assets. Firstly, the land is often located in areas of economic stagnation, but land values are contentious and sellers reluctant; buyers difficult to find! The financial viability of land improvements are marginal in such areas. Any reduction in financing costs must improve the chances for development.

Some sites may be severely degraded and require substantial investment. Industrial Revenue Bonds, in conjunction with other allowances, would help to induce the improvement of this land by reducing development costs.

For example if an additional loan is needed of £165,000, at seven per cent over 10 years, to redevelop wasted land this would mean repayment of £16,500 principal (one-tenth of the loan) in the first year and £11,550 interest or £28,050 altogether. This again would be far less than annual outgoings on the traditional short-term loan.

At the end of 10 years, the Bonds would be repaid in full. By this time, the land would have been developed and sold by the PLUMS. Other land would be undergoing development for sale on the market. The remaining land, probably the least attractive and most expensive to reclaim, or most difficult to redevelop would still be under development.

In the final winding up of the PLUMS this last category could be auctioned off, to clear the books. Following the payment of debts and the return of the original capital plus interest to the management company, remaining profits would be distributed to shareholders, the management company and original public land holders, unless they have chosen to sell their shares in the intervening period.

So far as the investor is concerned, the tax-free interest, although appearing lower initially, would produce a better rate of return than higher rates after tax. In addition, bonds would carry a first claim on revenues and assets including the development itself. Industrial Revenue Bonds would be more flexible than the Business Expansion Scheme in that Bonds could be traded, whereas Business Expansion Schemes require a commitment of capital for at least five years to qualify for income tax relief. Bonds could also be said to reduce the risks of investing in inner-city development in the sense that they help make projects more viable and therefore less likely to run into trouble.

Of course, the main disadvantage would lie in the loss of revenue to the Treasury. However, while immediate income might suffer, the Exchequer could only benefit long term from the creation of new capital investment leading to increased numbers of people not merely in jobs but themselves subject to tax.

If the average income tax paid on the average wage is added to the annual cost of the basic unemployment benefit, each new job can be said to generate about £4,000 a year for the Treasury. On the basis that PLUMS issued £30 million of Bonds which would be subsidised by the Exchequer by about £1,350,000 a year, that PLUMS would need to create about 338 new jobs to be self-financing, in the sense that the public purse would be no worse off. Taken further, this means that just under three jobs would need to be created for every £250,000 invested. (American research has shown that the Massachusetts Industrial Finance Association achieved about nine jobs per \$250,000 on total bond issues and subsequent development worth \$1.9 billion.)

Britain does of course have a different tradition from the United States with regard to the raising of money for local government expenditure. In this country local authority bonds are virtually risk-free, being a first call on local funds for repayment, if needs be from the rates themselves. However, the introduction of industrial revenue bonds need not clash with this highly respected image. In the first place, Bonds would be issued by PLUMS, not a local authority. Secondly, they would be designed to appeal to companies and individuals in higher tax brackets who already have to be more

sophisticated about their finances and could therefore be expected to understand the differences and risks involved.

APPENDIX 2: THE GROWTH OF VACANT DORMANT AND DERELICT PUBLIC LAND IS ENDEMIC TO THE PLANNING PROCESS

There are three links between planning and disused land.

- a) Direct creation of derelict sites by decision to demolish existing buildings — still much in evidence in inner city areas.
- b) Indirect creation of vacant land by the introduction of incompatible new uses that render existing uses unviable — common at the fringe of an urban area where new development fragments farmland and makes it uneconomic.
- c) The creation of derelict land because financial consequences of planning make it unprofitable to recycle.

THE FALLACIES

There are five planning fallacies which caused the derelict and vacant public land in the first place and will continue to create it:

1. THE SLEDGEHAMMER FALLACY

Planning was introduced in response to certain specific land use problems notably industrial dereliction, slum dwellings, housing shortage, urban sprawl, fragmentation and loss of farmland, and the rundown state of agriculture. These are all rolled up into a comprehensive planning package and Acts of Parliament control problem and non-problem land uses alike has come into existence (a sledgehammer to crack five moderately sized nuts).

Despite nearly 40 years of this treatment the nuts are still problems. Industrial dereliction remains extensive and non-industrial dereliction has been added. Slums have been demolished and replaced by worse ones. New urban growth sprawls over a bigger area, fragmenting more farmland and creating more unviable wasteland.

2. THE LOW DENSITY FALLACY

One of the most persistent planning dogmas is a myth that low population density is an absolute good. This has been repeatedly disproved ever since Jane Jacobs drew attention to it in *The Life and Death of the Great American City* (1961), but it still remains a sacred cow in British planning theory. Demolition has therefore been regarded as an achievement in density reduction, even if the cleared land merely remains derelict.

3. THE COMPREHENSIVE REDEVELOPMENT FALLACY

Because partial replanning in existing towns was seen as less predictable in its effects than the creation of new towns, it was argued that all existing uses should be demolished over extensive areas to permit comprehensive redevelopment. As land assembly may take many years this policy caused a steep upsurge of 'land-in-waiting' held derelict. It also caused costs to escalate with delayed returns. Furthermore, even after comprehensive redevelopment there was often permanent vacant site spaces left over.

4. THE LACK OF ANY BRAKE TO STOP THE MACHINE

Planning has contributed to unnecessary dereliction because it seems unable to recognise when any given policy has outlived its usefulness. Once a given dogma has been set in motion it grinds on, inflexibly, until the damage being done is blatantly apparent. This may be illustrated by the low density fallacy which originally intended to decamp 660,000 people out of London. By the mid-1970s 1.5 million people had gone. The GLC structure plan nevertheless advocated an acceleration of dispersal to involve another 1.7 million by 1991.

Another pursuit of planning dogma to the point of undermining the economy was the draining of office provisions in London by the location of office bureaux. These matters would be far better left to the free market which is properly equipped to accelerate or decelerate supply in accordance with demand. If most landusers were free to find their own level without planning interference a great deal of vacant land at least would be more easily recycled.

5. THE TENDED OPEN SPACE FALLACY

Non profit making uses cannot be left to the market mechanism and require voluntary or local authority action. Tended open space is a prime example which more than any other use has multiplied. Demolition of homes is considered an absolute good in its own right if it creates an open space, even in the face of the housing shortage and the problems of homelessness. Much of the green space created by planning is non-specific with no conceivable use except to colour the scene. In aggregate it constitutes considerable erosion of the rate base and many parks are grossly underused. One reason for over provision is the large scale of the planning machine leading to specialist recreation planners who see their role as prompting the growth of tended open space without considering it critically in the context of the uses it actually displaces.

BIBLIOGRAPHY

Chisholm M. and Kivell P. (1987) *Inner City Waste Land*, Directorate of Economic Affairs.

Civic Trust (1977) *Urban Waste Land*.

Department of the Environment (1984) *Survey of Derelict Land in England 1982*; (1986) *Statistical Bulletin: Land Use Change in England*; (1987) *Statistical Bulletin: Land Use Change in England*.

Gore A. and Nicholson D. (1985) *The analysis of public sector land ownership and development*, in Barrett S. and Healey P. (eds), *Land Policy: Problems and Alternatives*, Gower Press.

Home R. K. (1982) 'Inner City Vacant Land', *Cities*, August.

House Builders Federation (1982) *Report on Initial Land Register Inspections*.

Howes C. (1984) 'The ownership of vacant land by public agencies', *Land Development Studies*.

Ibbott M. (1985) *Public Land Registers: An Assessment*, University of Reading Department of Land Management, Working Paper 4.

Moss G. (1981) *Britain's Wasting Acres*, Architectural Press.

Royal Town Planning Institute (1978) *Land Values and Planning in the Inner Areas*.

University of Liverpool Environmental Advisory Unit (1986) *Transforming our Wasteland: The Way Forward*, HMSO.

Department of the Environment/House Builders Federation (1979) *Study of the availability of private house building land in Greater Manchester*.

Economist Intelligence Unit (1978) *Land Availability*.

Lawless P. (1981) *Britain's Inner Cities*, Harper and Row.

Loveless J. (1981) *Why Wasteland?*, Adam Smith Institute.

Loveless J. (1981) *The wasteland: a critique of urban land policy*, Adam Smith Institute.

Partington M. (1985) *Wasted Land: A phase in the life cycle of British cities*, PLC Publications.

Royal Institution of Chartered Surveyors (1977) *Inner City Regeneration*; (1979) *The Compensation Code and Inner City Land Values*.

Steen A.D. (1981) *New Life for Old Cities*, Aims of Industry.

Tym R. and Partners (1985) *National Land Use Stock Survey: a feasibility study for the DoE*.

Williams C. and Darlow C. (1985) *Revenue Bonds*, PCL Publications.



Published by the Conservative Political Centre,
32 Smith Square, London SW1P 3HH.