The Elizabeth Line: winners and losers

The Elizabeth Line (at least part of it) is finally up and running with financing problems accounting for most of the four-and-a-half year delay in its opening (not to mention the 32 years since the project first obtained government backing). Some sixty per cent of the ultimate cost of £19 billion came from fares paid by users of public transport, central government (taxpayers) and loans (public transport users again). But forty per cent came from an innovative mechanism in the form of a Supplementary Business Rate paid by businesses along the line. Crucially, this revenue source is sustainable (unlike a windfall tax like the Community Infrastructure Levy) and, in addition to financing construction, it will provide funds for ongoing operational and maintenance costs to reduce fares for users. The businesses concerned agreed to this increased imposition because they recognised that the better connectivity and increased capacity that the new line will afford will benefit their employees and bring more customers through their doors so they will make more money: those who stand to benefit from this infrastructure project helped to pay for it and are happy to do so. Which is why it is puzzling that this is the first time in many years that, in a significant way, any value-adding public infrastructure project (be it transport, utilities, a hospital, a school, regeneration, …) has been even partially funded on the basis of this principle that those who most benefit from state investment should contribute most towards it.

With the Elizabeth Line, none of the massive uplift in land values and therefore house prices across a great swathe of Greater London and beyond (with asking prices having doubled at either end of the line) has been captured to fund the project. Not to mention the unfortunate renters in this swathe who are seeing their rents inflate. Yet again, the big winners are those who own land where the state judges that new infrastructure is needed (including, ironically, Elizabeth herself); the losers are those who do not own land, everyone in the country who pays taxes and passengers.

A fairer funding mechanism would be a simple, sustainable, annual land value tax (LVT) paid by the owners of land, as proposed by the Labour Land Campaign (LLC). As soon as a project like the Elizabeth Line—or any other state investment that improves the quality of life of local people and boosts the local economy—is announced, land values rise and whoever owns land in the orbit of the development gets richer: rather than being a tax, a LVT could be seen as a contribution in return for benefits received.

LLC Vice-Chair Murad Qureshi points out that, “If we’d had LVT 48 years ago when the project was first proposed, the Elizabeth Line would have been moving Londoners a lot earlier, it would have cost a lot less and the right people would have paid for it.”ENDS

The Labour Land Campaign is a voluntary organisation working for land reform.
It advocates a fairer distribution of land wealth through a Land Value Tax.

For more information see www.labourland.org

URL for posting on Twitter:
https://www.labourland.org/wp-content/uploads/2022/02/Labour-Land-Campaign-Press-Release_02-02-2022.pdf

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