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20 November 2008

SOUTH EAST OUTRAGE AS BROWN RATES ROW GROWS

MPs from across Essex and Kent have today joined small businessmen from the rest of the country in reacting in fury to reports that empty property rates (EPR) could be scrapped only in northern industrial areas.

In an interview with his local newspaper, the government's chief whip, Nick Brown, was reported as saying the tax "may be appropriate" in London and the south east.

But Nick Brown's spokesman insisted to the BPF yesterday that Mr Brown did in fact support "concessions across the whole country" rather than just the north east. However, he added that Mr Brown was not in a position to dictate Treasury policy.

Read what Brown is reported to have said in the Northern Echo:

http://www.thenorthernecho.co.uk/business/3797412.Rethink_hint_over_tax_on_empty_properties/

Times: http://www.timesonline.co.uk/tol/money/property_and_mortgages/article5193197.ece

Telegraph: <http://www.telegraph.co.uk/finance/3473189/Peter-Mandelson-and-Nick-Brown-at-war-over-business-tax.html>

FT: http://us.ft.com/ftgateway/superpage.ft?news_id=fto111720082121332762

The admission is a major embarrassment to the government as it is in direct contradiction to statements from both the Treasury and Communities and Local Government. A letter from communities minister John Healey dated 10 November to a property chief said there were no plans to reinstate relief.

However, the British Property Federation (BPF) has warmly welcomed Mr Brown's support and commended him for his support in speaking up for constituents battered by the punitive tax on hardship.

Brown's spokesman asserted that "the Treasury would not reinstate relief on a regional basis" because "this simply wouldn't make sense." He added that "any change would be on a national basis", clarifying that while Mr Brown backed **concessions** across the whole country, he did not support totally scrapping empty rates, as lobbied for by the BPF.

However, the Cabinet Office then refused to issue a quote directly from Mr Brown confirming this conversation or reaffirming the position reported in the Northern Echo.

Yesterday's quote simply said: "Empty property rate relief is an important issue across the whole of the UK at this difficult economic time. I am relaying concerns on this matter to the Treasury as I have been asked to do by businesses, in my capacity as Minister for the North East of England."

The Northern Echo, FT, Times and Telegraph reported Brown as having said: "Although it (EPR) may be appropriate in London and the South- East, these are completely different circumstances we have in the North-East, and I do think the Government could look at granting relief in the old industrial areas like we have here."

Meanwhile, Essex MP, John Whittingdale, Conservative for Maldon & East Chelmsford, recently asked the prime minister to consider the case of a pensioner in his constituency, Mr Daly, who has a pension of £800 a month with half of it going on empty rates.

The prime minister dodged the question to jeers from all sides of the House, simply saying stating that people can get relief for a period of three or six months.

The video is here: http://news.bbc.co.uk/1/hi/uk_politics/7683705.stm

John said today:

"The response from Gordon Brown was pretty feeble. Rate relief for a few months is of little comfort for those trying to sell their property but who cannot because of the recession. We're not in a normal market and people can't sell in six months. I will continue to press the government on this issue.

"The property market doldrums are not confined to the north east. I've encountered a number of constituents who are suffering. If the government provided relief in the north east, it would provoke even greater unrest and be seen as a rational only for Labour constituencies.

"My constituent, Mr Daly, is by no means unique. He's an elderly gentleman who invested in commercial property with a view that it would provide income in retirement. He is unable to let or sell it and I've seen copies of the ads and he genuinely has tried. But it is completely impossible in the current market.

"I can understand the government's initial argument that it was a measure intended to prevent property standing empty and to encourage new tenants to be brought in, but while there may have been a case for this in a buoyant market, in the present climate it is highly unrealistic

"It isn't that landlords aren't wanting to sell it's just they're finding it impossible to do. I'm getting more and more cases of small investors who saw this as a way of providing themselves with a modest income that is now costing them a vast amount of money.

"I have written repeatedly to the minister but they have ignored me, saying there is provision for hardship, but the government has tightened the scheme and made it more difficult. In the current climate the case for relaxing the rule is underwhelming."

Bob Russell, Lib Dem MP for Colchester, has also joined the campaign being led by the British Property Federation.

"While the removal of empty property rate relief had merit during an economic boom, the economic climate is now completely different. These properties are not empty because of a lack of effort; there are examples across the UK of commercial property owners who would love to find tenants for their properties. There is simply a lack of demand due to the current downturn and therefore charging rates is completely illogical. Empty property rates should be halted immediately and not reintroduced until the economy is back on course once more."

Roger Gale, MP for North Thanet in Kent, also attacked the government on Tuesday after an exchange with Hazel Blears, the communities secretary.

Gale said: "This is the politics of the madhouse. We are imposing a policy that was dreamed up years ago under very different economic circumstances and introduced on All Fools Day this year at the start of what we now know to be a deepening recession. In the Wonderland that this Alice Minister inhabits there are clearly queues of shopkeepers and manufacturers waiting to pay rent for premises.

"In the real world of east Kent, life is, sadly, just not like that. Charging the owners of these premises retrospective rates on empty properties is about as tying a stone to the leg of a drowning man and telling him to swim."

"We know of people who have owned small retail businesses who have retired and let their properties on to generate a modest pension. Subsequent businesses have now closed and those people find themselves not only without their pension income but facing demands for rates that they simply cannot pay."

"The Secretary of State has the power to end this situation at the stroke of a pen but in a letter to me earlier in the month she has made it plain that an unthinking and uncaring department intends to blunder on causing hardship. This is a disgrace."

Nick Brown's comments will have infuriated Lord Mandelson, the business secretary, who has continued to ignore experts by pressing on with the tax.

Mandelson claimed it was 'good for business', despite vehement opposition from the CBI and Federation of Small Businesses, who have both backed the high profile campaign led by the British Property Federation.

Mandelson said: "I don't think now is the time to bring back the business rate relief on empty properties, as I believe this can benefit small businesses.

"Landlords are more likely to bring down rental prices if they are looking to find new tenants quickly, which is good news for tenants."

But Nick Brown has called the tax 'destructive', saying in the article with the Northern Echo:

"Although it may be appropriate in London and the South East, these are completely different circumstances we have in the North East, and I do think the government could look at granting relief in the old industrial areas like we have here.

"We are in a position where people are pulling buildings down, which is an unintentional but destructive consequence of this, and the way to avert that is to grant relief."

Both the Welsh Assembly Government and the Mayor of London have joined the BPF in calling for the government to scrap the tax, while firms across the country have reacted angrily.

More than 120 MPs have signed Commons motions against empty rates, while the BPF is backing a petition on the No 10 website here: <http://petitions.number10.gov.uk/emptythreat/>

Jo Partridge, a farmer, 54, from Cornwall, said:

“it’s absolutely scandalous that Nick Brown should do this, especially in the light of what Mandelson has said. Cornwall is recognised to be the poorest county in the country and this is the last thing it needs. They are leaving people with no choice but to demolish buildings.

“Farmers who had properties on their land that weren’t used have been caught out because they never removed them from the registry. Even local councils are being caught out and are paying their own money back to the government.”

Roger Gale, a Kent Conservative MP for North Thanet, said:

"This is the politics of the madhouse. We are imposing a policy that was dreamed up years ago under very different economic circumstances and introduced on April Fools Day this year at the start of what we now know to be a deepening recession. In the Wonderland that this Alice Minister inhabits there are clearly queues of shopkeepers and manufacturers waiting to pay rent for premises.

“In the real world of east Kent, life is, sadly, just not like that. Charging the owners of these premises retrospective rates on empty properties is about as tying a stone to the leg of a drowning man and telling him to swim.”

Liz Peace, BPF chief executive, said: "How can the government ignore the views of so many MPs, experts and real people? No one with a basic understanding of business supports this and it would be highly cynical to offer relief just to areas where the government may lose seats. That would ultimately cost them votes right across the country.”

David Dalton, 49, a property developer, from Brighton in Sussex, said:

“Brighton’s been just as much affected, I’d have thought it was worse in some parts. I absolutely disagree with Nick Brown. Empty rates are causing demolitions across the city and many are being crucified by it. With banks pulling the reins, the timing is terrible. You’ve only got to walk around the streets to see the bombsites it’s creating.”

Tom Rabbett, 63, from Middleton near Manchester, invested his pension into the property his firm used to own. Now, because he cannot find tenants for the properties he bought as an investment, he’s having to pay tax on his pension.

“It’s disgusting. If it applies to one, it should apply to all. Why should they get relief in Newcastle? I don’t know of any other pension that has to pay tax in this way. I imagine there’s far more people that have done the same thing using their pension to encourage growth in their own industry.”

Carol Borowski, 63 and registered blind, said she may refuse to pay the demand for rates on her empty office space near Lewes, East Sussex. She wrote to Gordon Brown when he was Chancellor and more recently Alistair Darling complaining about the tax.

“It flies in the face of natural justice because it is a tax on nonincome,” said Borowski, whose husband built the business of small industrial units during the Seventies. “If the same situation prevails next year, I have no alternative but to withhold payment.”

Robert Feal-Martinez, who runs the Carpenters Arms Motel in Swindon, Wiltshire, said:

“I was amazed when Mandelson said this was somehow beneficial, but this is even more unbelievable. Swindon is more affected than Newcastle. We have properties emptying at a more rapid rate than before the downturn. They have to reapply the relief, because if they don’t, then we may never recover from the damage.”

Ian Allen, a self storage consultant from Fleet in Hampshire, said:

“What’s the difference between the north east and the rest of the country? Because of the lack of funding, new businesses in Hampshire can’t get a foot on the ladder, so we have empty warehouses that the government is taxing. It’s cutting what little momentum remains. I have a lot of clients who want to start businesses but no one is building. This tax is absurd and buildings are being demolished that could be used for new jobs and to help the economy recover.”

Linda Riordan, Labour MP for Halifax, said: “I warmly welcome Nick Brown’s support for the reintroduction of relief but it is vital for the people of Halifax that full rate relief for empty property is applied for them too immediately. Locally, we have been hit very hard by empty rates. We cannot afford to lose more jobs or see the vital regeneration of our communities hindered any more than it has been because of the global economic problems.”

Steve Owen, deputy chief executive of London-based industrial developer Brixton, said:

“It’s a case of Labour trying to buy some votes, it’s extremely unfair to apply it to only one part. The tax already doesn’t apply in Gordon Brown’s constituency in Scotland but it affects the whole of business, right across the country.”

Tom Stokes, director of Leeds-based Evans Easyspace, which develops flexible business premises for small firms, said:

“This is a typical politician’s response – trying to save their own skin without really trying to help anyone. Firms across Leeds and the whole of Yorkshire are being hit by this. They need to reapply relief everywhere. We’ve been forced to scrap new schemes because of empty rates and the losers will be small businesses and ultimately the government.”

Tory communities spokesman Eric Pickles, MP for Brentwood in Essex, said: “The fact Labour’s own Chief Whip is leading this tax revolt shows just how damaging this levy is.”

Yesterday, London mayor Boris Johnson met the government to call for action, while the Welsh Assembly Government has also come out in favour of reintroducing relief.

The Greater London Authority said that Johnson “received an immediate response that the government would look seriously at the issue of bringing back empty property rate relief.”

Johnson added: “I am determined to do everything in my power and will work with whoever it takes to help London cope with these difficult economic times. I am pleased that today’s meeting gives me the opportunity to remind central government how it can help and how crucial it is that we work together and rise to the challenges facing the economy.”

Welsh deputy first minister, Ieuan Wyn Jones, said: “We will be pressing the UK government to exempt employment premises from empty property rates. It is important to stress that it would be difficult for the Assembly Government to do that on its own; a UK wide approach would be needed for that to be financially possible for us.”

Before April, firms received full business rate relief on empty factories and warehouses and half relief on shops and offices. Now, after a woefully inadequate grace period, they pay full rates, leading many to demolish buildings and many facing bankruptcy.

The BPF is asking those affected to contact it through its website and wants people to sign a petition on the No 10 website: <http://petitions.number10.gov.uk/emptythreat/>

Click on these links by pressing CTRL and left click to view TV coverage: (1 [Bloomberg TV](#)
[BBC 6 O'Clock News](#), [BBC Breakfast TV](#))

The British Property Federation believes that restoring relief to one part of the country could be highly damaging to other regions. As we move deeper into recession, the logic in favour of restoring relief across the board, and not in a piecemeal fashion, is becoming overwhelming.

Demand for commercial property has fallen dramatically in recent months. Figures suggest that 40 small businesses are going bankrupt each day, while the British Retail Consortium predicts that one in five retailers will go to the wall over the next couple of years.

The result will be a massive amount of vacant property which is liable to full business rates following the removal of relief last April.

For more information, contact the British Property Federation:

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Press highlights today:

The Daily Telegraph

<http://www.telegraph.co.uk/finance/3473189/Peter-Mandelson-and-Nick-Brown-at-war-over-business-tax.html>

Financial Times

<http://www.ft.com/cms/s/0/e0a54520-b511-11dd-b780-0000779fd18c.html>

Reuters

<http://www.forbes.com/afxnews/limited/feeds/afx/2008/11/18/afx5707813.html>