



The Great Housing Morass

WHILE in the last twenty years or so there has been no shortage of housing policies, there has been a dearth of lasting and effective solutions. Will the new Conservative Government have any greater degree of success than its predecessors? The success or failure of a solution to any problem depends primarily on whether the cause of the trouble is tackled or just its effects. There can be little doubt that past rent policies have had a considerable impact on the supply of accommodation. What then is the Conservative attitude to rent policy?

Recently, the Secretary of State for the Environment, Mr. Peter Walker, made it clear where his party stood on the rents issue. "There are a multitude of disadvantages with the present system," he said, "Rate-payers and taxpayers are being faced with a large and rapidly growing subsidy bill. The subsidies are not distributed so as to remedy the housing problems of the worst areas. The rents paid by tenants are related neither to the value and quality of their accommodation nor to their capacity to pay. The help available to the poorer tenants is incomplete and haphazard. The present system of rent control in the private sector is creating new slums at the very time when local authorities are replacing existing slums with new houses."

Mr. Walker's statement is a fair assessment of the present situation and it is interesting to note that as far as the poorer tenant is concerned Mr. Walker's emphasis is on the lack of available help. The diagnosis of poverty, however, is one thing but to suppose as Mr. Walker does, that the only answer lies in granting more financial help shows that that particular problem has been dealt with at only a superficial level. The shallow thinking

behind this analysis can be seen even more clearly in the sum total of the Conservative policies. The measures that Mr. Walker proposes are:

- * The "fair rent" principle established by the 1965 Rent Acts should be applied to public sector housing in stages with rent rebates made available to those in need.

- * Private rented accommodation should pass more rapidly to "fair rents" and rent allowances, administered by the local authority, should be made available with the Exchequer bearing most of the cost.

- * More money should be made available for slum clearance and in the urban stress areas.

- * A major drive should be launched on house improvements supplemented by the grants and loans available under the Act of 1969.

- * More land for housing purposes should be allocated by planning authorities.

Clearly, Mr. Walker's policies are put forward with a view to helping the needy rather than the greedy. However, the fact remains that by removing personal subsidies from some people and allocating them to others and by encouraging the improvement of older homes, there is little hope that the cost of providing new dwellings will be reduced. The need for cheaper houses, however, is self evident. Indeed, the Buckinghamshire County Planning Committee has gone so far as to commission a study to see what the prospects are for providing new houses for the many people who want a small place of their own to buy. The solution proposed as a result of the study is an interesting one. To satisfy the need for small housing units it seems that it would be possible, using traditional building methods, to erect bungalow type units at seventeen to the acre providing initially 362 sq. ft. of living space with the opportunity of extending the homes to 520 sq. ft. in the future. The cost of building these new dwellings would be just under £2,000 per unit. The initial price to the purchaser, however, would depend greatly on the land cost. At a land cost of £10,000 per acre each home would cost £2,951; at a land cost of £20,000 per acre the home cost would be £3,552. Assuming a 100 per cent mortgage over twenty-five years at an interest rate of 8½ per cent (and taking into account income tax relief and estimated rate liability) the weekly outgoing would be £4.75 and £5.40 respectively. It is at this level of analysis that the importance of land, the passive factor in housing policies begins to be seen. But few reformers (particularly those who are the most vociferous politically) have noted and appreciated the relevance and significance of this factor in housing costs.

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Not long ago, for instance, in its *Review of Housing Policies in England and Wales* the Chartered Land Societies Committee made eight policy recommendations for improving the housing situation. Only one of these related to land and that consisted only of a plea

that more land should be made available for residential development through planning procedures. The Committee, however, rather surprisingly *inter-alia* recommended that a fresh look should be taken at the system of tax relief on mortgage interest on the ground that such relief at present is *pro rata* to the sum borrowed. In other words, at the standard rate of income tax, the owner occupier borrowing £12,000 enjoys at least twice as much tax relief as one borrowing £6,000.

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Taking this issue further, Mr. H. Aughton (Borough Treasurer, Hemel Hempstead) at a conference sponsored by the Land Institute last December, pointed out that although Exchequer housing subsidies to local authorities cost £110 million in 1968/69 for England and Wales and probably amounted to between £130-£140 million for 1969/70, the cost to taxpayers generally would have been twice as much in tax relief if the same local authority houses had been purchased on mortgage. Mr. Aughton also stressed that it was not public housing which was driving the private landlord out of business. The private landlord, he emphasised, was burdened by rent control and an unfair tax system that makes it necessary for him to have to ask for more in rent than what an owner-occupier would pay if he were buying. The private landlord's costs are higher because he is faced with management charges and tax liability under Schedule D while the owner-occupier enjoys tax relief on his interest repayments. Taking as an example, a house costing £4,000, an owner-occupier's outgoings would be about £324 while a private landlord financing a similar development would have to meet annual outgoings of £508. As far as the landlord is concerned, even at a rent of £500 p.a. representing a gross return of 12½ per cent, he would not break even. To counteract the disadvantageous position of the private landlord the Chartered Land Societies Committee recommended the introduction of depreciation allowances. This illustration is but one further proof of the morass of housing finance.

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Where does all this lead? Of one thing we can be sure; whatever proposals of rationalisation are introduced by the Conservative Government, increasing subsidies to poorer tenants and the making of the private rented housing sector less unattractive to investors would not bring down the land cost factor in housing. Indeed all the signs are that land prices are increasing. One sure way of bringing them down is to tax land on to the market and into use. Unless the land-price problem is tackled, even the most rudimentary home, offering little more in the way of amenities than a caravan, will remain well beyond the pockets of many lower wage earners in the 1970's.

It therefore seems unlikely that Mr. Walker's objective of pursuing a housing policy which is rational, fair and compassionate will be realised while his economic diagnosis remains faulty.