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AUSTRALIAN AND BRITISH HOME OWNERSHIP POLICIES

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SYNOPSIS

This dissertation examines the housing policies of Britain and Australia. It has been suggested that Britain is moving towards an increased level of home ownership, especially with the implementation of the 1980 Housing Act which gave local authority and housing association tenants the right to purchase their homes.

As Australia has a high level of home ownership and a policy of selling public sector houses to tenants, it is appropriate to examine the current problems and issues in the Australian housing field and to ascertain the possible implications for British housing policy makers, in the light of the 1980 Act, in order simply not to replicate their failures.

Chapter One examines the historical development of Australian housing policy and the emergence of home ownership as the major tenure form. It traces the involvement of the Commonwealth Government in housing policy via the Commonwealth State Housing Agreement (CSHA) which remains the main vehicle for the implementation of housing policy. The first CSHA of 1945 is examined fully as it laid the foundation stone for subsequent Agreements, although those Agreements were to drift away from the original aim of providing rented housing as a priority. Subsequent Agreements and the major policy decisions contained within them are discussed, up to the most recent Agreement of 1981.

Chapter Two follows through the historical development of British housing policy with its original concerns with health and sanitation culminating in the 1919 Addison Act. Changes in direction

and policy from 1919 through the inter war years, from 1945 up to the 1970's are reviewed. As the 1977 Green Paper and the 1980 Housing Act are central to this piece of work, they are examined and discussed fully.

Chapter Three explores the current issues and problems in Australian housing policy, namely the introduction of a market rents policy, the move towards a welfare housing sector, increasing waiting lists for the public sector, sales of public sector stock and concern as to the inequity of subsidies between the two sectors. The notion of a tenure-neutral housing policy is also discussed.

Chapter Four discusses the current issues and problems in British housing policy. The crucial issue of the sale of council houses is reviewed in depth. Government intervention, which is central to an understanding of housing policy, is examined along with the question of subsidies.

Chapter Five, the concluding chapter, attempts to draw together the issues discussed in previous chapters and to outline the possible implications for British housing policy makers wishing to pursue a policy of home ownership.

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INTRODUCTION

Housing means more than simply a roof over one's head. It can determine access to other services such as education, health care, transport and leisure facilities. More than this, it categorises people in terms of social status and this can work both in objective and subjective ways. Subjectively, tenants of peripheral and hard to let estates which are far away from the centre of town or cities and lacking in facilities may feel they have been ostracised from the rest of the community. Objectively, a person may be judged (covertly or overtly) by the tenure and location of their home. Therefore, housing policy has consequences which reach far beyond the provision of shelter.

Legislative changes may radically alter the type of housing provision and indeed the role of local authority housing departments and one such piece of legislation is the 1980 Housing Act.

The 1980 Act is perhaps one of the most contentious pieces of housing legislation to appear in recent years. The most publicised aspect of this Act is the issue of the sale of council houses. Under the Act, local authority and housing association tenants have a 'right to buy' their homes. Responses to this aspect of the Act have been polarised in line with political attitudes and beliefs perhaps obscuring wider questions as to the future role of local authority housing departments and the type of housing provision they may offer. In the debates surrounding the sales issue the tenants' needs and aspirations are often ignored and sacrificed

for the wider political 'principles' at stake.

This dissertation examines the issue of council house sales in the context of Australian housing policy, of which sales has been an integral part. It is appropriate to use Australian housing policy in this way as Britain and Australia have obvious historical, cultural and ideological links.

The seeds of this dissertation were sewn on a holiday to Australia in 1983 but the final decision to write on this subject was not taken until my return to Britain. Therefore, there have been problems in obtaining information from potentially valuable sources such as housing authorities and Australian housing publications. However, it has been possible to obtain an overview of current housing policy in Australia and the current issues and dilemmas in the housing field.

The problems experienced within the housing arena in Britain and Australia are remarkably similar despite the different policy decisions in both countries and these are: fears of creating a 'welfare' sector in place of public housing; increasing waiting lists in the public sector; increasing numbers of poor people dominating the public sector and calls for a review in the subsidies available for home owners which at present does little to increase equity between the tenures.

That the problems experienced are similar is even more significant when it is acknowledged that Britain is moving towards a higher rate of home ownership.

Therefore, British policy makers ought to acknowledge that problems do exist with the Australian system of high owner occupation

before embarking on a drive to encourage increased levels of home ownership without safeguards for the public sector which is already showing signs of deterioration, both in terms of the decreasing number of council houses and with regard to the deterioration of the stock itself due to lack of funds for maintenance.

Before embarking on a historical account of Australian housing policy, it is necessary to give a few facts regarding the Australian system.

In this dissertation the terms 'Federal' and 'Commonwealth' Government, will be used interchangeably.

The Australian system of government is a three-tier system. However, the lower tier, the local or municipal authorities is the least powerful. It is concerned with the construction and maintenance of roads and bridges, water provision, some health care services and the provision of recreational facilities.

The relationship between the State and Commonwealth Governments is more crucial. The Commonwealth Government has a mainly financial role in that it transfers vast sums of money to the States (financial assistance grants, equalisation grants, capital transfers and specific purpose grants) but, in the main, allows them to decide how to administer and allocate the funds within their own areas.

However, the question of Federal-State relations has often proved to be the subject of debate and different Federal Governments have interpreted their role in different ways. This will be illustrated in the Commonwealth State Housing Agreement discussed in Chapter 1.

Australian Housing Policy - A Legislative History1.1 Introduction

Even a cursory glance at the history of Australian housing policy shows that the belief in home ownership has been a powerful force in the creation of those policies. In Australia today home ownership is still the dominant tenure with approximately two thirds of households being owner occupiers. Any examination of the legislative history of Australian housing policy is concerned with the development of home ownership by both the Commonwealth and State Governments. The formal relationship between the Commonwealth and State Governments came about at the first Commonwealth State Housing Agreement (CSHA) of 1945. This, and subsequent Agreements, have been the cornerstone of housing policy in Australia. However, due to changing political ideologies and opinions, the terms of the Agreements have shifted over time. These Agreements will be examined in this chapter. At the same time, although the CSHA's have been the main vehicle for policy making, decisions were taken prior to 1945 which shaped the future of housing policy and therefore, these will also be reviewed.

1.2 The Years to 1919

In the late 19th century, the housing question was couched in terms of insanitary conditions, landlord-tenant relations, and the interaction between bad housing and declining moral and physical standards. This concern was dramatised by an outbreak of plague in Sydney in 1900. At the same time, however, the supply side of housing was under great stress. In 1900 new residential investment was only 1.7 million pounds, the lowest for forty years and this was to be only the first sign of an impending housing shortage which manifested itself in the period

1910-1921. (Williams, *The Politics of Poverty*).

Government inquiries were held in two states, New South Wales and Victoria. Legislation relating to housing provision was introduced in all states over the period 1910-1920. Under this legislation, provision was made for the construction of dwellings for sale to persons below stipulated income levels and for the construction of public housing for rent. Thus the emphasis on home ownership emerged. Furthermore, on introducing the Workers' Dwellings Bill in the Queensland Parliament in 1909, the State Treasurer claimed:

"The principle, as hon. members will have discovered, is to provide cheap dwellings for those who cannot afford to pay high rents, and also to give the workers of Queensland an opportunity of becoming owners of dwellings of their own".
(Williams, *Ibid.*)

This seems to have been borne out by all political parties. However the Labor Party were also in favour of rent control and public housing provision. Many State Governments believed that direct provision of public housing was the responsibility of local government - as in the United Kingdom - and this power was made available under local government Acts. But local councils were unwilling to involve themselves both for ideological reasons owing to fears of rising costs and the burden of administrative responsibility.

1.3 The Inter War Years

One of the first schemes which heralded the direct involvement of the Australian Government was the War Service Homes Act of 1919, and this soon gained ascendancy over the States' own schemes for returned servicemen. However, some states entered into formal agreements with the Commonwealth Government to act as its agent in the administration of the War Service Homes Scheme. The War Service Homes Act provided for the advance of loans to returned servicemen or

their dependents and it empowered the War Service Homes Commission to build houses for sale to eligible servicemen. The Act also gave the Commission powers to make agreements with State governments, States' banks and recognised housing finance or house building institutions. When the program was introduced it provided for loans up to a maximum of \$1,600 repayable over 37 years at an interest rate of 5 per cent. The general aim of the scheme was to provide 'homes fit for heroes' and to make financial access to mortgages easier than alternative arrangements under the States' schemes. This program became firmly established in Australian housing policy and up to 1939, the program was responsible for building or financing 37,360 dwellings.

In addition to the War Service Homes Scheme, the Australian Government subsequently became involved in providing housing finance to facilitate access to home-ownership for moderate and low-income groups. In 1927-28 it passed the Commonwealth Housing Act to provide for loans up to \$1,600 on 10 per cent deposit. The Act was given administrative support by the separation of the Commonwealth Bank's activities into 'trading bank' operations and 'savings bank' operations. Although it was originally intended that the scheme would be administered by the Bank's branches throughout Australia, some parliamentarians argued that this ran against the constitutional prerogative of the States. Thus, it was proposed that a Commonwealth-State housing authority should be established to co-ordinate the various housing programmes. Subsequently, agreements were entered into between the Australian Government and the States in New South Wales, South Australia and Western Australia. However, the onset of depression, followed by World War II overtook the scheme. (Pugh, 1976)

In the 1920's and 1930's the debate around the housing question deepened and, in 1919 substantial housing shortages were identified in various parts of the country (i.e. 9,000 in Melbourne and 12,000 in Sydney). The Interstate Commission set up to look at the problem claimed that a 'national remedy' was urgently required and claimed:

"it is quite out of the question that the existing needs can be satisfied by private investment". (Williams)

It further suggested that government at all levels should undertake construction of dwellings both for sale and for lease. Similar conclusions were reached in other studies. However, despite these findings, Australia was still to suffer housing shortages which gave concern to those in government.

The slum abolition movement which had been active up to the first world war was revived during the depression and by 1936 had achieved considerable momentum. The anti-slum movement was most active in Sydney, Melbourne and Adelaide and in all three states, official inquiries were set in motion to 'discover the facts'.

The reports of these inquiries formulated a comprehensive theory of public housing for those on low incomes. Everyone was regarded as having the right to adequate housing within his capacity to pay and this could be achieved through the provision of housing by governments, a task involving heavy public expenditure.

Public housing authorities were established in South Australia in 1936, in Victoria in 1938, in New South Wales in 1941 and in Queensland in 1945 and building of public rented housing for low-income families began on a formal basis, as well as the subsidised building for sale by the states. At the same time, a variety of measures were introduced which allowed building societies to lower their requirements for the home purchaser's deposit and thus home ownership was bolstered.

In South Australia a different emphasis was placed on housing reform. The depression had exposed the vulnerability of the State's economic base and the resultant problems attracted political attention which was directed, among other things, to the housing 'problem'. Issues associated with housing and economic development were therefore taken up as parallel and interdependent issues. For example, industrial initiatives were supported by housing policies because the provision of low-rental housing was seen as an essential element in the States evolving industrial development policies.

The South Australian Housing Trust Act was passed in 1936 setting up the Trust with powers to build low-cost, standard housing which could be let at rentals lower than those prevailing in the private market.

"It (South Australian Housing Trust) purchased large areas of land in and around Adelaide, built housing for workers as well as for welfare families, made land available for large manufacturing establishments and also built and either sold or rented factories. The Trust is an unusually independent organisation." "It preferred to maintain its wider role". (Neutze, 1978)

With the State Housing Commission being established there was the opportunity to formalise Agreements with the Commonwealth Government and to implement a more unified housing policy. However, before looking at the 1945 Commonwealth State Housing Agreement which was the basis of future housing policy, it is appropriate to examine some of the underlying influences on policy makers up to that time.

1.4 Influences on Policy

The attitudes which the major political parties adopted towards housing provision had an important influence on the course of housing policy. For instance, the conservative elements in Victoria and New South Wales were receptive to a government role in slum clearance when this was the subject of agitation in the 1930's. In all states,

the conservatives supported policies to improve access to home-ownership by intervention in housing credit markets. However, Labor party attitudes were somewhat ambivalent. On the one hand they supported many home-ownership schemes but on the other they emphasised public rental programs (particularly in response to any crisis in the housing field). On the whole, however, they never did come to grips with the issue of housing poverty groups and went along with home-ownership movements when economic conditions made access feasible for workers, but when this situation changed, recognised the need for other programs such as those including more rental housing. (Pugh, 1976).

Another important influence on the development and form of housing policies was current social theory. This was ingrained in the social work and town planning professions, which supported slum clearance schemes in particular because social ills were believed to be linked to poor housing conditions. It was not until the 1960's that this 'environmental determinism' type of approach was revised.

Having examined the influences affecting policy decisions, it is to the Commonwealth State Housing Agreement (CSHA) that we now turn.

1.5 1945 Commonwealth State Housing Agreement

A Commonwealth Housing Commission (CHC) was appointed during the war and its final report of 1944 laid the foundation for the first CSHA of 1945. The CHC was set up to analyse and make recommendations to improve the housing problems which existed at the time. Its progressive and wide ranging report culminated in the setting up of the first CSHA of 1945. Much has been written of the 1945 CSHA as it had the potential to radically alter the previous dominance of home-ownership. However, it is worth noting the major points of the Agreement

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as many of them were altered in subsequent Agreements and this in itself is important for an understanding of policy.

"This (the 1945 CSHA) marked for the first time the emergence of a national housing policy instrument, and the financing of cost-rental housing was taken over by the Federal Government from the States. A massive expansion programme was initiated, which lasted until the Menzies Government's CSHA of 1956. From an insignificant number of public rental dwellings in 1945 the public rental stocks expanded rapidly and by 1954 totalled just under 100,000 units and accounted for 4.8% of all housing..... The share of the market achieved by public renting by 1954 has never been materially exceeded and since then public rental housing has become the Cinderella tenure: starved of funds in spite of enormous demand." (Kemeny, 1983)

The Agreement included a means test and provided for the cost of rebates, for those who could not afford a rent high enough to cover the cost of the housing, to be shared equally between the states and the Commonwealth. Because of the housing shortage the scheme was heavily oriented to building new housing. Dwellings were provided to rent: they could only be purchased if tenants paid cash. This Agreement also established a formula for economic rents and rent rebates which largely applied until the 1978 Agreement.

The 1945 CSHA therefore attempted to focus on the supply of public rental housing, though provision was made for the states to sell public rental housing into owner-occupation as long as the price was not less than the construction cost. Assistance to owner-occupation was primarily made by expanding the provision of War Service Loans to house buyers. Thus the State Housing Authorities moved away from building for the owner-occupied market and the CSHA became concerned with providing cost-rent housing while the War Service Loans scheme became the owner-occupied arm of Government housing assistance.

Jones claims:

"The first CSHA imposed, until 1956, a considerable degree of uniformity on all states, except South Australia, which objected to various details of the agreement and did not become an effective partner until 1953, and Tasmania, which withdrew from

the Agreement in 1953 and did not rejoin until 1956. The terms of the agreement made it difficult for the states to sell dwellings. It also ensured that the available public housing went only to those on the lowest incomes. The states also continued pre-war schemes financed from their own funds". (Jones, 1972)

Apart from the provision of funds to the states from the Commonwealth Government in the 1945 agreement, the agreement made provision for assisting the states by contributing to losses incurred in administering rented housing projects. The states received advances to cover the capital costs of constructing dwellings for rent, administration being carried out by the States' housing authorities. These advances were to be repaid to the Commonwealth from the rent received by the authorities. The rents were also intended to cover other outgoings and administration costs, but in the event of a loss being made in any year the Commonwealth would help to cover this. Compared with subsequent agreements, this initial agreement imposed relatively strict conditions on the administration of the states' housing projects (which were not always accepted easily by the states). However, some of these were subsequently relaxed or repealed. For example, an amendment in 1955 provided for the sale of dwellings to tenants on specified terms, whereas this was effectively prohibited in the original agreement.

Although at one level the desire to ameliorate the slum conditions existing prior to the 1945 agreement was readily accepted by all parties, increasingly, political ideology began to cause rifts between both the states and the Commonwealth governments and between the main political parties as to how best to achieve expansion in the housing arena.

At the introduction of the agreement, the governing Labor Party's attitude was quite clear in advocating a massive increase in the housing stock and no one overtly argued against this. However, its support

of a rental housing scheme, which it justified from the point of view of need being greatest for those unable to purchase their own homes, was not indicative of the climate of opinion throughout Australia. For example, the Opposition argued that home ownership should be stimulated because it produced stability in the community and helped to impede communism, and its spokesmen attacked a policy of state ownership of housing.

Other signs of friction were highlighted in the situation whereby the South Australian Government found it unnecessary to use the provisions of the agreement until 1954, despite the fact that it was a signatory in 1945. This was due to the fact that its public housing authority, the South Australian Housing Trust, was able to finance its various rental and sales programs by means of semi-government loans, borrowing at an interest rate which was on a par with the 3 per cent being charged under the agreement. However, in 1953 rates of interest on semi-government borrowings increased to a range of 4.5 to 4.75 per cent, making it advantageous for South Australia to participate in the agreement in order to finance its rental housing projects.

Federal-State relations were also strained with Tasmania's withdrawal from the agreement in 1950. Not all of the states had been happy to restrict their CSHA activities to the provision of rental housing. In 1950, the Board of the Agricultural Bank of Tasmania (which was that state's nominated housing authority until 1957) considered that the agreement was not fulfilling its expectations. Particularly, the Tasmanian Government believed that public housing should be available on conditions which facilitated sales and due to the rigidity of the 1945 agreement on this score, Tasmania withdrew from the agreement and repaid its debts under the agreement. However,

Tasmania re-entered the agreement in 1956, because the 1956 agreement was much more flexible with regard to house sales policy.

Thus, while the 1945 CSHA could not be called a fully comprehensive housing policy (in that the states were still carrying on policies which pre-dated the agreement and did actually administer the funds awarded to them via the agreement in the way they thought most desirable while keeping to the broad terms of the agreement) it could, if developed along similar lines in subsequent agreements, perhaps have begun to alter the bias towards home ownership in Australia had people seriously questioned the belief that rented housing was inferior somehow simply an/alternative to home ownership. However this did not happen as the terms of the 1956 CSHA were to be altered drastically from those of the original agreement and it is to this 1956 agreement we now turn.

1.6 The Agreements since 1956

"The election of the Menzies Government ended forever the nascent experiment to introduce variety and choice in housing tenure in Australia. By the 1960's the enormous preponderance of owner-occupation among the electorate had pushed the ALP (Australian Labor Party) towards increasingly adopting the mono-tenural housing policies of their opponents and the post-war consensus on housing policy which still exists today was well established". (Kemeny, 1983)

Kemeny goes on to claim that the most important single change introduced was to end the expansion of public renting:

"In the 1956 CSHA sweeping changes were made to the provision of new public housing, with reductions in new capital expenditure, and with a transfer of public finance from rental housing construction to the Co-operative Building Societies. At the same time, encouragement was given to sell as much existing public rental housing as possible". (Kemeny, Ibid)

Certainly the CSHA of 1956 did impose many changes reflecting largely the differences in political and social philosophy between the Labor Party (especially the Federal Labor Party) and the Liberal Party.

In 1956 the Liberal Government introduced a number of new provisions

into the CSHA which came into force that year. They emphasised home ownership and the details of the allocation of public housing units were left very much to the states. The changes which were favourable to home ownership were: a liberalisation of the conditions attached by the states' housing authorities to house sales from CSHA funded construction; and the provision for a portion of CSHA advances (called the 'Home Builders' Account) to be allocated to building societies and other approved institutions for the purpose of financing the construction of private owner-occupied dwellings. A significant effect of the introduction of the Home Builders' Account was that some funds were placed outside the control of the state housing authorities. This has meant that their building rates have been subjected to a wider range of influences, including the extent to which the housing authorities could finance their operations from non-CSHA sources and internal reserves. At the same time, the Commonwealth abandoned its contributions towards the states' administration costs which included rent rebates.

In summary then, the 1956 CSHA moved away from a policy which gave priority to rented housing. With the setting up of the Home Builders' Account the move was made which channeled funds into home ownership. These changes can be seen in the light of political pressure from the Federal Liberal Party (although the Labor Party's attitude towards home ownership, as discussed earlier, was rather confused) and indeed from the states themselves. Thus Australian housing policy was moving away from a firm commitment to the provision of rented housing as a major proponent of satisfying housing demand.

The 1966 CSHA was changed little from the previous 1956 agreement

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and it continued until the financial year 1970-71 when the CSHA was briefly replaced by an alternative financing arrangement. This new arrangement consisted of advances made under the provision of the Financial Agreement Act 1928, at an interest rate equal to the long-term bond rate, and grants allocated under the States Grants (Housing) Act 1971-73 in lieu of a subsidised interest rate. The introduction of this new arrangement in 1971 occurred at a time of:

"bad Commonwealth-State relations in housing. The states seemed to lack any power to influence, bargain or persuade the Australian Government to negotiate an agreement". (Pugh, 1976)

Shortly after the Labor Government was returned to office in December 1972, it offered the states additional funds to enable them to commence more rental dwellings in the remainder of 1972-73. The states indicated that they could use \$6.55 million for this purpose and this amount was advanced to them under the Housing Assistance Act 1973. (Pugh, Ibid)

Top priority was given to the negotiation of a new housing agreement when the federal Labor Government came to power in December 1972. Since 1971 there had not been an agreement in the conventional sense and advances had been made through the means described above. The Labor Government wished to increase federal control over the spending of moneys through the terms of a formal agreement using concessional interest rates as the means of inducing state co-operation. An agreement was hammered out by April 1973 - with the aim of obtaining a large segment of 1973-74 budgetary allocations:

"As a result of haste, the basic principles applying to public housing programs remained unaltered and many of the conditions that the federal minister wished to insert in the agreement were either absent or diluted". (Carter, 1980)

The major innovation in the 1973 agreement was the introduction of federally imposed means tests on entry into public housing and on

qualifications for the Home Builders' Account loans. No eligibility tests had been written into previous agreements.

The Federal Government's intention had been that these means tests should apply to all dwellings with moneys from the 1973 CSHA, the aim being to ensure that public housing was allocated to meet needs and to eliminate interstate differences in eligibility. The states objected strongly on the grounds that they already applied entry tests that suited their situations, and because it restricted them in their role as providers of public housing.

The other major feature of the 1973 agreement was the attempt to restrict the sales of public dwellings. The Labor Government originally sought a complete ban in sales in order to increase the stock of public rented dwellings rapidly and to make inroads into the waiting lists for public housing. However, the attempt to ban sales caused fierce opposition - especially from Queensland, Victoria, Western Australia and Tasmania. The outcome was a much diluted provision which limited sales to 30 per cent of those dwellings built in the five year period from 1st January 1974 and to purchasers who satisfied the means test. This means that the states were able to overcome the sales clause by selling off existing stock.

Other features of the agreement were that several of its provisions recognised the social dimension of housing. For example, one provision called for the mixing of CSHA dwellings with private dwellings where reasonably practicable. The provision allowing purchase and renovation of existing dwellings was significant in recognising the useful role which housing authorities could play in urban rehabilitation.

The 1973 agreement covered the financial years 1973-74 to 1977-78.

The Fraser Government was under pressure to review the terms of the CSHA. The states were demanding relief from the restrictions of the 1973 agreement, which was due to expire in 1978. The 1978 agreement which followed a major policy review in 1976 and subsequent negotiations with the states, provided scope for significant innovation in state housing authority programs and a potential redefinition of the nature and role of public housing.

The 1978 agreement saw the introduction of market rents for public housing and the abolition of the uniform federal means test. A renewed emphasis on home ownership was accompanied by a requirement that sales occur at market value or replacement cost and increases in interest rates charged to agencies lending to home buyers. One of the established guidelines was that the:

"States will be able to exercise maximum autonomy and flexibility in the administrative arrangements necessary to achieve these principles". (Carter, 1980)

The agreement made a basic distinction between the roles of state authorities as managers of rented stock and as construction authorities and as sellers of public dwellings. Separation was achieved by defining separate Rental Housing Assistance and Home Purchase Assistance Accounts.

The introduction of market rents was seen as a move to ensure that those who no longer needed subsidies did not receive them. However, this policy was, and remains, controversial and its effects are discussed fully in Chapter 3.

The 1978 CSHA was the last agreement, under which, major policy changes were implemented, the 1981 agreement being simply a continuation of the 1978 agreement with little changes. However, the re-negotiation of the 1984 agreement is under way and this is also discussed in Chapter 3.

1.7 Summary

Australian housing policy, in legislative terms at least, has been embedded in the CSHA's as they have been negotiated and implemented. The 1945 agreement had the potential to achieve a greater balance of tenure form and provide a greater element of choice for the consumer.

However, political pressures did not allow this to be continued or maintained and subsequent agreements seemed to ensure Australia's commitment to home ownership as the preferred tenure.

At this stage it is worth mentioning that this chapter does not intend to evaluate the merits, or otherwise, of such a policy per se but attempts to explain why the present situation of approximately two thirds of Australians owning their homes has come about.

Kemeny claims that due to the 'failure' of the 1945 CSHA there was a 'post-war consensus of housing policy in Australia'. Political ideology played its part and the position of the Federal Labor Party appears at times to have been confused and ambivalent with regard to the issue of home ownership. At the same time, once a policy such as the encouragement of home ownership becomes established in the awareness both of politicians and consumers, it would be a brave politician who advocated drastic alteration to what has come to be seen as a 'natural desire' or 'aspiration' - to own one's home.

Australia at present still encourages a policy of home ownership although serious problems in the housing policy area are attracting attention. These issues will be discussed fully in Chapter 3 and it is to a review of British housing legislation we now turn.

Chapter 2

British Housing Policy - A Legislative History

2.1 Introduction

This chapter attempts to outline a brief legislative history of British housing policy. Various trends can be identified and it is these trends which leave us with an overview of 'the housing problem'. Most recently, the 1980 Housing Act seems to represent a concrete statement of the Conservative Government's attitude towards housing policy and this appears to be a reflection of that Government's general attitude to state intervention and public expenditure in all spheres. Contemporary 'problems' such as the issue of council house sales, have tended to become 'politicised' with perhaps the real issue of the role of the local authority housing departments being obscured by political ideology. While this issue will be examined in Chapter 4, the politics of housing will be touched on in this legislative history.

Generally speaking, British housing can now be divided into two main tenures; the public sector and the private (owner-occupied) sector. However, even this distinction is problematic whenever it is considered that the central government is actually involved in pursuing owner occupation as a desirable housing tenure via the tax system. This is fully examined in Chapter 4.

However this chapter will focus on the trends in housing policy and move towards the 'two-tier' system of housing tenure which has evolved.

2.2 The Years to 1919

It can reasonably be suggested that broadly speaking the provision of housing by the state was historically in the interests of capital

but that improved housing conditions were in the interests of the working class. However, there can be little doubt that the first intervention by the state was prompted by motives other than benevolence; extremely poor working class housing conditions:

"created specific contradictions for the existing social order for they reduced the productivity of labour, brought about the ravages of disease to every social class, created impenetrable rookeries of criminal violence, and gave strength to the voices of that subversive tradition which preached revolution".
(Merrett, 1979).

From about the 1850's a series of public health acts introduced minimal controls on standards of water provision, sewage etc and gave local authorities powers to deal with insanitary conditions. Around the same time local authorities were empowered to clear unfit housing, and erect new housing, but only enough for 50 per cent of those displaced. Also, there was no compulsion on authorities to deal with poor housing, and there were no subsidies from central government to encourage them to do so. Some local authority housing had been built by the end of the century, but only in very small numbers mainly in London and Liverpool. In the main however conditions for the working classes in comparison with other sectors of society were appalling.

At the end of the nineteenth century some 90 per cent of the housing stock was in the private rented sector. It was increasingly apparent however that the private rented sector could not produce enough housing for the working class especially for low wage earners. At the same time, the public health acts had given local authorities power to deal with insanitary conditions, and this meant that speculative builders were required to meet ever increasing standards. As wage earners were unable to bear economic rents this became an unattractive form of investment and returns on this were lower than in other areas such as overseas investment.

2.3 The Inter War Years

Inflation during the first world war was a further disincentive for investment in building, the costs having quadrupled in the 1914/1919 period. Due to the threat of industrial unrest and rent strikes in Glasgow in 1915, there was the introduction of control legislation in the form of rent controls. Also, the increase in strength of the Labour movement (trade union membership doubled during the war) and the return of disillusioned soldiers from Europe resulted in a growth of social and industrial turbulence after the war. Thus, the possibility of social revolution was taken seriously by the government and prompted action to contain the situation. There was a 'post war housing crisis'. Rent controls continued and the 1919 Housing and Town Planning Act introduced for the first time an exchequer subsidy for local authority house building. The 1919 (Addison) Act, then, brought about a major change in housing policy.

For the first time the local authorities were given a duty to survey housing needs in their areas and to assist in this provision, exchequer subsidies were provided. Underlying the 1919 Act was the conflict between the promise of 'Homes for Heroes' and the stark realisation that in the short term at least, private enterprise could neither provide these houses at appropriate rents nor in sufficient numbers. Under the Addison Act there was obviously great exchequer commitment but the brakes were applied in 1921 and a subsidy system was evolved which would distribute costs more evenly between local and central government. In England and Wales, approximately 200,000 houses were built with Addison Act subsidies and 25,000 in Scotland. (Murie, 1976).

However, the Housing Act 1923 (Chamberlain Act) had a different emphasis. There was a swing away from public sector building and the

local authorities were to operate directly in the provision of dwellings only in areas where private builders could not meet local needs. The change back to a Labour Government in 1924 saw the pendulum swing back in favour of direct local authority involvement and subsidy levels were raised. Rents were limited to the 'appropriate' normal levels reflecting rents in controlled private properties.

These provisions continued in force until 1933, requiring and encouraging local authorities to provide houses for the general needs of the working classes.

In the General Election of 1929, overcrowding and slum clearance were prominent features. By 1930 only 11,000 slum houses had been replaced with the aid of subsidy in England and Wales. The Housing Act 1930 (Greenwood Act) was intended to encourage more substantial progress. Subsidy arrangements for rehousing clearance families were generous and were based on the number of persons displaced rather than the number of houses demolished or provided. In 1933 the emphasis on clearance needs was made complete when general subsidy for building under the 1923 and 1924 Acts was discontinued.

The 1935 Housing Act added the relief of overcrowding to the duties of the local authorities. This Act made very important changes in local authority accounting methods - it allowed subsidies and rents received for houses built under different Acts to be pooled through the statutory Housing Revenue Account and Equalisation Account. This emphasis on clearance re-housing and the relief of overcrowding remained until the outbreak of war in 1939. About 400,000 houses were provided for this purpose in Britain before 1939, of which about 300,000 were in England and Wales and over 70,000 in Scotland. (Murie, 1967).

Thus, several observations can be made regarding policies for

housing provision up to this period. Central Government used subsidies as the means of encouraging local authorities to build houses and also as a means of encouraging them to build for particular needs. On the other hand, when subsidies were withdrawn or reduced, the intention was to discourage activity thus implying greater reliance on private sector housing provision. The level of subsidy available at any time depended on costs, the estimated capacity of private enterprise to meet relevant needs, and the political philosophies regarding the balance between public and private ownership. In other words, the direction of subsidy depended on perceived priorities among different housing needs in the light of progress and changing conditions.

2.4 1945 - 1970

Murie claims that a similar pattern of emphasis and direction emerged after the second world war. Firstly there was an emphasis on building for general needs to meet an acute housing shortage resulting from wartime damage and low building rates. The Housing (Financial Provisions) Act of 1946 gave a generous subsidy but one which could be varied according to the financial position of individual local authorities. The Housing Act 1949 was significant since it removed the limitation restricting local authorities to the provision of houses for the 'working classes'. From this piece of legislation, local authorities were free to plan their programmes to meet the varied needs of the community, although, in reality little dramatic changes were resultant from this.

The Housing Subsidies Act 1956 reduced and then eliminated exchequer subsidies for dwellings provided for general needs apart from one-bedroomed houses . However, a general needs subsidy was reintroduced in 1961 although, at the same time, more generous

21.
funds were made available to meet the special needs of clearance rehousing, the relief of overcrowding and other poor housing conditions.

The parallel with the inter-war years ended with the passing of the Housing Subsidies Act of 1967. Local authority house building became an important part of the new drive to achieve 500,000 house completions a year by 1970. Under this Act, the central government had some measure of control over spending through the 'approved cost' element measured by the 'cost yardstick'. Subsidies were conditional on the adoption of Parker Morris standards for all public sector house building after 1968.

However the high cost and open ended nature of the basic subsidy and the multiplicity of additional 'special' cases led to changes introduced by the Housing Finance Act of 1972. Indeed, before its defeat in the 1970 election, the Labour Government had already begun work on the 'reform' of housing finance. (Murie, 1976).

2.5 The 1970's

The 1970's began with a Conservative Government. Its housing policy was to be in the same vein as previous Tory administrations: the emphasis on the encouragement of the private sector and the reduction of the role of government in public sector housing provision. As previously mentioned, the 1972 Housing Finance Act attempted to tempt the 'better off' tenant into owner occupation and raised public sector rents. The poorest tenants were to receive rent rebates. Under this Act, rents increased on average by about 50 pence per week. The legislation took away from the local authorities the power to set rent levels. The Conservatives also encouraged the role of housing associations - seeing them as:

"the third arm of housing, between owner-occupation and council housing, taking over the role of the private landlord". (Short, 1982)

In 1974 the Labour Party came to power and they were to remain in office until 1979. It has been claimed that the subsequent housing legislation can be seen in terms of various elements: the legacy from the previous Conservative administration. Labour's 1974 Housing Act was to incorporate many of the policy proposals previously formulated by the Conservatives (Housing Action Areas, different types of improvement grant and area policy schemes). The General Improvement Area policy had improved the national housing stock but not in the worst areas. Thus, the Housing Action Area scheme was to attempt to reverse this trend and voluntary take up of improvement grants was to be encouraged by the local authorities. Between 1974 and 1978, 272 Housing Action Areas were declared in some of the worst housing areas in Britain, but in the latter half of the 1970's the improvement programme and the Housing Action Area scheme ran into difficulties.

The Labour Government did, however, intend to generate some of its own policies and to revive council house building it introduced the 1975 Housing Rent and Subsidies Act which placed the setting of rent levels in the hands of the local authorities. Council house building also picked up and the number of public sector completions began to climb from its 1973 level of under 100,000 per year to over 150,000 by 1977. (Short, 1982)

2.6 The 1977 Green Paper

This Labour Government were also to review housing finance and the result was The Green Paper, Housing Policy (DOE, 1977). Short claims:

"Although the three technical volumes provided a comprehensive set of statistics, perhaps the best single source for any discussion of housing in England and Wales, the conclusions drawn from the study were predictably bland". (Short Ibid)

At this point it is worth noting that political statements regarding the Conservative 1980 Housing Act claim that this Act breaks the traditional 'consensus' view of housing policy but certain aspects of the Act came from the Labour 1977 Green Paper. Briefly, the main elements of the Green Paper are as follows.

Owner-occupation was to be increased and, indeed, the following statement which is frequently quoted, makes this clear in no uncertain terms:

"For most people owning one's own home is a basic and natural desire, which for more and more people is becoming attainable".
(Green Paper, Cmnd 6851)

While this was a definite statement of the Labour Party's increasing predilection towards home-ownership as the most desirable tenure, it raises philosophical questions regarding what constitutes a 'basic and natural desire'. Most people would certainly wish to enjoy the tax benefits, mobility and security of tenure which owner-occupation allows but perhaps it is more accurate to suggest that, given the present housing structure, it is a natural desire to want the advantages of home ownership. It is more spurious to suggest that there is a natural desire per se to own one's home.

The Green Paper did little to reassure those involved in housing who wished to see a firm commitment to the provision of council housing being extended and maintained and indeed that groups of people not usually considered as being 'in need' would be allowed access to council housing.

On the whole, the Green Paper saw housing conditions as being satisfactory and having improved. However, more 'selective' policies were called for and quality was to take priority over quantity. On the central question of reforming the system of tax relief the Government was static:

"We do not believe that the household budgets of millions of families should be overturned in the pursuit of some academic or theoretical dogma". (Quoted in Roof, January, 1980).

The Green Paper states:

"The Government believe that the objectives of housing policy must be rooted in the traditions and reasonable expectations of the nation, but must also reflect present realities".
(Cmd, 6851)

This bland statement could mean almost anything. After all, what is termed 'reasonable' could be construed by different groups to mean different things. The Green Paper then goes on to point out that while the traditional aim of a decent home for all families at a price within their means must remain their primary objective, and that although many families are still living in unsatisfactory housing conditions these things should no longer be thought of only in terms of 'national totals'.

"We must make it easier for people to obtain the tenure they want. More and more people would like to become home owners, or to enter the newer forms of tenure combining some of the advantages of home ownership and renting. We should not let our proper first concern for those who are badly housed lead us to overlook the reasonable housing ambitions of the community in general".
(Cmd, 6851)

At the same time, the Paper did take account of the fact that there had been a major shift in the structure of housing tenure - the rise of home ownership and public sector renting and the decline of private renting:

"At the end of the First World War probably 90% of the housing stock was rented privately, and virtually the whole of the remainder was owner-occupied. Now, in England and Wales about 55 % of houses are owner-occupied, 30% are in the public sector and only 15% are rented privately". (Ibid)

Non-financial considerations, it was claimed, may have played a large part in the growth of the owner-occupied and public rented sectors.

It claimed that people were attracted to home-ownership by the opportunity for personal freedom and independence. While this is no doubt true, there are immense financial gains via the tax advantages

of owner-occupation. Also, mobility could be made possible in the public sector if it was deemed desirable.

The Green Paper put the Labour Party's position clearly. Home ownership is the tenure to which most people aspire and it therefore should be encouraged. At the same time, it is fair to say that the Paper did also recommend that the rights of tenants be examined. Nevertheless, the Conservative Government obviously agreed with the stance taken in the Green Paper as many of its recommendations and policy statements contained therein were to appear, if slightly altered, in the 1980 Housing Act and it is to this Act we now turn.

2.7 The 1980 Housing Act

Almost as soon as the Conservatives came into power in 1979 a new housing bill began to make its way through the legislative process. The bill received royal assent in August 1980. This Act formulated the Conservatives' thinking on housing policy.

However, there was the legacy of the Green Paper but while the Labour Green Paper had stressed the rights of groups and organisations, the Conservative Act preferred to focus on the rights of the individual tenant. Such basic 'freedoms' were initiated as the right to allow lodgers, have pets and paint their doors and so on. With regard to rents, the Act gave the Secretary of State the power to determine reasonable costs, subsidizable expenditure and rent levels. Thus, financial control was shifted from local authorities back to central government. (Short, 1982).

Short (1982) claims:

"there were measures (contained in the Act) seemingly unmediated by previous policies. The most important was the statutory right to buy conferred on council house tenants and tenants of non-charitable housing associations".

He went on to say that the sale of council houses proved to be a 'hot

issue'. The ensuing arguments in the debate around council house sales will be examined more fully in Chapter 4.

However the 1980 Act also had implications for the private rented sector. A short hold tenancy was introduced in which security of tenure was assured for more than one year but less than three years, after which time the landlord could repossess. Fair rents were to be registered every two years instead of three thus allowing more frequent rent increases. Wider grounds for repossession were introduced and tenants no longer would be able to apply to rent tribunals for suspension of notice to quit but the courts were given the discretion to postpone a possession order for up to three months. Lastly, controlled tenancies were to be changed to regulated tenancies. The overall aim of this section of the Act was to stop the decline of the private sector by allowing higher rents which would make this form of investment more attractive than it had become due to previous legislation.

The 1980 Act is one of the most wide-ranging Acts ever introduced into Parliament, so an article in Roof, January 1980 claimed. It went on to make the point that the rights to buy, the tenants' charter and the new subsidy system collectively:

"added up to the most far-reaching changes in the council house system since its effective origins at the end of the First World War" . (Roof, January, 1980).

The further assertion was made that the Bill challenged the basic principle on which council housing was established in the early 1920's:

"that central government provided the financial support but left local government to run its own housing stock.....there is little doubt that we are witnessing a revolution in the central-local relationship in the housing field". (Ibid)

The Roof article claims that the Bill may have far reaching implications for the future of the public sector housing system and that there is a consistent strategy behind the various proposals:

"They add up to an underlying reliance on the private sector to deal with housing problems. Not since 1931, and possibly since 1890, has a Government put so much faith in private enterprise in housing". (Ibid)

It goes on to list the main assumptions behind the Bill:

- a) Owner-occupation is the majority tenure to which the vast bulk of the population aspire;
- b) As the housing crisis is over, the level of new building required can be achieved by the market;
- c) That public housing is an oversubsidised and inefficient way of providing housing;
- d) That the private rented sector can be revived in order to satisfy some of the need for rented accommodation.

However, the main focus of attention was drawn to the issue of council house sales contained within the Act. This will be examined fully in Chapter 4. It is too simplistic to state that this Act was purely the unadulterated ideology of the Conservatives. As previously stated, several policies contained in the Act were taken from the 1977 Green Paper.

The main political leap seems to have been that it is perfectly reasonable for a Labour Green Paper to pursue home ownership as a policy but not that these homes should have been the 'property', via council house stock, of the local authority. This is perhaps the consequence of the rigid stance taken towards council house sales on purely 'party' lines. The Green Paper itself pointed out that home ownership was the major tenure (however, in Scotland the number of council houses still dominates the statistics) and therefore it is reasonable to suggest that this form of tenure should be made available to more people. The political division seems to be who

builds the houses in the first place, or who provides the finance.

At the same time, although the council house sales issue became the 'popular' focus of attack on the Act, there were fears expressed that the public rented sector could become a purely 'welfare' sector. This is a serious problem and again, will be discussed in Chapter 4 when considering contemporary issues and problems in housing policy.

2.8 Summary

In drawing this legislative history together, we can see that various changes were to occur between the 1919 Addison Act and the 1980 Housing Act. Economic, social and political conditions have changed drastically since the entrance of the government into the minefield of housing provision. It can be said, however, that the covert 'consensus' on housing policy may have, finally, been torn assunder. Fears of 'residualization' and 'welfare housing' have been expressed and the present government have made clear their intention to step back from intervention in many areas which were previously considered the province of central government subsidy.

Nevertheless, although it appears that many of these fears are justified in that the amount of financial assistance given to public sector housing provision and maintenance is declining and, therefore, serious problems occurring, it would be misleading to simply reject different and new ways of dealing with housing provision.

Thus, the sales 'issue' should not simply be considered along 'party' lines but perhaps the wishes and desires of the consumer, the tenant, should be explored.

At the moment, housing policy seems to have taken a 'backward' look in that state intervention is declining. There are however other ways of approaching the problem and the concluding chapter will consider some of these.

Perhaps both British policy makers and voters have tended to see the role of the State in housing provision as a purely 'traditional' and 'static' one; perhaps it is time to consider the role that the State and local authorities ought to be playing in the provision of housing in changing economic and social circumstances.

Housing is perhaps peculiar in the field of policy making, in that the effects of any particular decision, specifically building, are not realised immediately and therefore decisions about the direction of policy may be long term and involve financial commitment or the ability to project future economic, social and political trends which, at the moment, is virtually impossible.

Having outlined the Australian and British legislative histories, it is appropriate to examine the contemporary problems and issues currently under debate in the housing field.

Chapter 3

Australian Housing Policy - Current Issues and Problems

3.1 Introduction

After examining the history of Australian housing legislation, it is appropriate to turn to the current issues and problems which are facing housing policy makers.

Particular concern has been expressed at the policy of charging public sector tenants market rents which, it has been claimed, merely encourages the public sector to become a welfare sector. The effects of the market rent policy and the move towards 'welfare' housing are therefore discussed here.

The sale of public sector stock and increasing waiting lists for public sector housing are also discussed.

Finally, the concept of a 'tenure-neutral' housing policy which has been advanced as a possible means of redressing the balance between the tenures will be examined.

3.2 Market Rents in the Public Sector

Increasingly, the notion that the public sector housing sector is moving towards that of a welfare sector has been expressed in Australia. Basically, this is based on the belief that home ownership has been successfully encouraged while public sector housing has come to be seen as a rather inferior alternative to what most people want - their own home.

The policy of market rents has been put forward as one of the main reasons for this drift towards the welfare sector taking the place of the public sector. The theory behind this is that as rents in the public sector are pushed up to market levels, those who can afford alternative accommodation, either as home owners or private

tenants, will leave public housing and those more 'needy' people on the waiting lists will be housed. In order to ensure that the public tenants can pay their increased rents, a system of rent rebates was introduced at the same time. There have been problems arising out of this decision and more and more tenants are getting rent rebates. It has been argued that this makes the problems of 'residualisation' more concrete and social stigma is greater.

As well as this, the housing Commissions are having to forego huge sums in rent by means of the rent rebates. However, not everyone sees this as problematic:

"That this policy (charging economic rent) has been succeeding is evidenced by the growing proportion of public housing tenants who receive the rent rebates. For example, between 1978-79 and 1979-80 the proportion of public housing tenants receiving rebates increased from 38 per cent to 43 per cent". (Temby, 1982)

At one level, the policy can certainly be seen to be succeeding if what was wanted was to push the 'non-poor' out of the public sector. However, if the wider problems of creating a 'welfare' tenure are considered then this policy is a rather dubious one.

Carter (1983) claims:

"The extent of the transition from 'public' housing to 'welfare' housing in the past five years has been dramatic. Table 2* highlights the growth in expenditure on rent rebates by state housing authorities since 1976-77. On average, for the six states, foregone revenue caused by rent rebates has increased six-fold in only five years!" (Carter, 1983)

All states have reported that a rapidly increasing proportion of new and existing tenants are eligible for rebates. In Victoria's case, the proportion of tenants on rebates has increased from 19.3% in 1976 to 68.9% in 1982.

The problems of housing huge numbers of low income families is a pressing one for public housing authorities. The location (often on edge of town estates with poor transport and lack of facilities)

*Table 2 - See page 32.

* Table 2 (Source: Carter, 1983)

EXPENDITURE BY STATE HOUSING AUTHORITIES ON RENT REBATES

(\$ million)

	<u>NSW</u>	<u>Vic</u>	<u>Qld</u>	<u>S.A.</u>	<u>W.A.</u>	<u>Tas</u>	<u>Six States</u>
1976-77	5.7	4.7	2.1	2.1	3.8	1.2	19.7
1978-79	20.8	9.8	6.6	4.7	8.6	2.6	53.1
1981-82	49.6	17.0	12.8	19.6	12.7	6.3	118.0

and scale of many public housing developments is not well suited to housing large numbers of people on low incomes. In the past, the housing stock contained a reasonable social mix but the level of social mix is declining quite rapidly with large concentrations of poor people in one area. The housing authorities need to diversify their stock somewhat to alleviate this.

The increasing proportion of low income tenants is also likely to create financial difficulties. Although the authorities borrow at subsidised interest rates and also receive grants for capital purposes, there is nothing to ensure that the level of subsidies they receive will be sufficient to bridge the gap between their income and expenditure. With increasing numbers of welfare tenants, there is a danger that these subsidies will be inadequate and that they will incur losses.

Bethune and Downie (1982) claim:

"It is difficult to calculate the total subsidies received by public tenants. However, in 1980/81, public housing rents were approximately 80 per cent of market rents, implying an implicit subsidy of approximately \$108m. At the same time total rent rebates were \$95m and concessions to pensioner tenants were approximately \$26m, making a total of \$229m".

Assuming that current trends continue, NSW and Victoria have forecast rent rebate bills of \$196m and \$96m respectively by 1985-86. By that time, NSW expects that at least 85% of tenants will be receiving rent rebates. State housing authorities have effectively become an extension of the welfare sector and have assumed important income maintenance responsibilities:

"Currently, the dwindling proportion of tenants paying market rents are effectively cross-subsidising those on rebates and the funds of state housing authorities are diminished as the cost of the rebate bill rises. The costs imposed create an additional constraint on the ability of these authorities to adequately maintain and/or expand their rental housing stock". (Carter, 1983).

Another expected product of the introduction of a policy of market rents was that the housing authorities would be able to increase their profitability. However, this has not happened and, in fact, the reverse may be said to be the case:

"As Table 4* shows, the rising rebate burden has in fact meant a major deterioration in the surplus/deficit experience of Victoria, Western Australia and Tasmania and a less marked deterioration in New South Wales and South Australia. Victoria's Ministry of Housing has, in fact, moved into heavy rent losses for the first time in its history; although this is associated with increased outlays on maintenance as well as the rising burden of rebates". (Carter, 1983).

From the foregoing, several points emerge with regard to the policy of economic rents. Firstly, rent rebates have not been funded via social security and the public housing authorities have had to bear this financial burden, thus using funds which could be put to more concrete and specifically 'housing' uses, for example maintenance of existing stock and expansion of future stock.

Secondly, tenants on slightly better incomes are in the position of subsidising the less 'well-off' tenant; this at the same time when inequities between tenures have been increasing due to the benefits given to home owners.

Thirdly, under the system of market rents, large public housing estates have seen a concentration of poor tenants which increases the stigma attached to them and increases the likelihood of social problems which are easily identifiable. Under the previous system of economic rents the tenant population was more mixed and more stable. Increasingly, the public housing tenant is regarded as 'inferior' and the pressure is there to try and move out of the sector, if possible.

Having discussed the market rent system we now turn to a more general discussion of the gradual shift toward the welfare role of the public housing sector in Australia.

* Table 4 - See page 35.

* Table 4 (Source: Carter, 1983)

<u>SURPLUS (DEFICIT) ON RENT OPERATIONS</u>						
<u>(Percentage of rent received)</u> (a)						
<u>Year</u>	<u>NSW</u>	<u>VIC</u>	<u>SA</u>	<u>WA</u>	<u>TAS</u>	(b)
1976-77	4.6	(0.3)	(5.7)	2.6	(23.0)	
1977-78	1.0	(0.3)	(13.1)	(18.5)	(20.6)	
1978-79	3.1	(1.3)	(8.2)	(12.9)	(19.3)	
1981-82	3.0	(13.3)	(14.2)	(42.5)	(62.7)	

(a) Figures for Queensland not available for earlier years.
The 1981-82 figures showed a loss of \$5.6m, which was 15.5% of rent received.

(b) Loss on Total operating expenses.

3.3 Welfare Versus Public Housing

It has been suggested that the terms welfare and public housing reflect differing fundamental philosophies regarding housing policy. Briefly, the concept of public housing implies housing that is constructed by, or for, state agencies for general use for a broad mix of the population and available as a choice rather than for an easily identifiable poverty group. Such housing, it is suggested, would not seek to be profitable, rather it would aim to be cost-covering while, at the same time, generating sufficient revenue for future capital investment. Access would be open to all citizens in the context of a framework of tenure-neutral housing subsidies which would not favour specific tenures (i.e. home ownership). (Paris, et al, undated paper).

On the other hand, welfare housing is typically regarded as state housing provided for specific groups 'in need'. This philosophy holds the view that most households do not need state assistance with their housing but that a specified proportion of the population cannot 'stand on its own feet' and therefore needs help. Often such housing is built to lower standards than private housing. This approach, it is suggested, is favoured in those countries where owner-occupation is the preferred tenure. In this situation, welfare housing always carries stigma and tenants and their families are seen as 'failures'. Therefore, only those with little or no choice would take such housing.

In Australia, there has been an uneasy tension between public and welfare housing philosophies. As we saw in Chapter 1, the earlier CSHA's were concerned with the provision of public rented housing although, due to political persuasion the emphasis began to favour

home ownership. At the same time:

"The role of public housing authorities in Australia is made more complex by their function as both landlords and developers, with about half of all publicly constructed housing being sold into owner-occupation". (Neutze, 1982)

Paris (et al) outline the context in which thinking regarding public intervention in housing has changed. They claim that these changes are due, in part, to the redirection of government priorities from the mid 1970's and also from a belief that housing shortages have largely disappeared. They go on to claim that:

"Concerns with direct expenditure and with hidden and direct subsidies have led to a widespread reorientation of approaches to intervention. The adoption of the user-pays principle and a concern to diminish open-ended commitments to subsidies have resulted in the restructuring of a whole range of social and economic policies and programs in Australia, Britain and the United States". (Paris, et al undated).

The Poverty Inquiry in 1975 stated:

"Of the total 183,000 housing authority tenants the poor numbered only 51,000; 132,000 housing commission rented dwellings (72 per cent) were occupied by people with incomes more than 120 per cent of the poverty line". (Priorities Review Staff (1975) Report on Housing).

Thus, the whole notion of public authority housing and its purpose was examined. It has been suggested though, that data from this Inquiry was used selectively to encourage home ownership without considering more fully the position of the poor themselves and the functions of public rental housing. The arguments put forward by some were that tenants not in need were being subsidised; that they were in effect excluding those really in need and that housing shortages could be substantially overcome by better use of the stock.

This ignored the question of equity of treatment between purchasers and tenants. Neutze showed that home ownership had been favoured in many ways, often to the benefit of middle and upper income families. He argued that concentration of housing assistance

on home ownership was never matched by equal assistance to renters:

"At current housing costs the emphasis on assistance for owner-occupation may be self-defeating since many tenants may not be able to save enough, after paying rent, to put a deposit on a house. At current rates of inflation, and therefore interest rates, renting is the only option open to many poorer families. These families are effectively discriminated against by the present home ownership policies". (Neutze, 1977)

The foregoing attempts to highlight the growing concern that Australia is moving further towards a welfare sector of housing provision.

However, other problems and issues exist in the public sector and it is to the issue of growing waiting lists we turn first.

3.4 Waiting Lists in the Public Sector

Increasingly, the problem of waiting lists for public sector housing has been a cause for concern. The public rental stock in Australia is relatively small. In June 1980, the housing authorities owned almost 210,000 dwellings or approximately 4.4 per cent of the dwelling stock. Waiting lists are long. In June 1981 there were 85,000 applications outstanding, 2.6 times the number of new tenants housed in 1980/81. However, the size of the waiting list understates the total number of households eligible for public housing. At August 1980 there were an estimated 317,000 families and single pensioners with incomes below the eligibility limits who were renting privately. This represented 35 per cent of all private renters. (Bethune and Downie, 1982).

In 1980/81, 77 per cent of new tenants were allocated to existing authority dwellings. This is because of the low rate of stock acquisition. In recent years Commonwealth funding under the CSHA has fallen from a peak of \$400m in 1977/78 to \$272m in 1980/81. Although state funding for public housing has increased, total dwellings

completed by government authorities has fallen from 14,600 in 1977/78 to 10,400 in 1980/81.

With regard to the waiting list figures, it should be pointed out that although in real terms the amount of money available for state governments via the CSHA has fallen and therefore less housing is being constructed, other factors affect the rising waiting lists. Basically, these are changing social and family structures. Due to marital breakdown there are more single parent families and also, single people are increasingly wishing to set up homes on their own. As stated earlier, more pensioners are eligible for housing and this boosts the numbers. This is not to say that the problem is any the less valid, simply that not only financial considerations are operating.

Given the pressures of increasing waiting lists the policy to sell houses to tenants comes under pressure and it is to this we now turn.

3.5 Sales of Public Sector Dwellings

With the obvious pressures mounting on housing authorities, it is pertinent to assess how attitudes to the sale of publicly owned houses has changed, if at all.

The South Australian Housing Trust, although not a typical housing authority due to its historical development, with its relatively larger percentage of public housing, has implemented a policy of not building public stock for sale. In the South Australian Housing Trust Annual Report for 1983 the figures for sales are as follows:

"Sales of dwellings declined from 1328 units in 1977-78 to 182 units in 1982-83. Sales of new dwellings declined to 32 units in 1982-83, while the sale of existing dwellings stayed relatively constant at around 150 units per year".
(SAHT, Annual Report 1983)

In Victoria a similar picture emerges:

"Units sold during 1981/82 totalled 657, which was down on the previous year when 750 units were sold. The reduction in the number of sales results from a change in policy, to restrict the sale of homes and build up the rental stock". (Victorian Ministry of Housing Annual Report 1981/82)

Generally, there has been a levelling off in sales of public housing. While the South Australian Housing Trust no longer have a policy of building for sale they do sell some existing stock in small numbers. There are however, genuine attempts to build up the sadly depleted rented sector in all states and while this continues, sales will virtually cease or at least slow down.

With the above problems identified, there have been moves in Australia to research the possibility of adopting a 'tenure-neutral' housing policy and this will now be discussed.

3.6 Tenure-neutrality

Given the problems of waiting lists for the public sector and the decline in new building in that sector, suggestions have been made to balance the inequities which exist between home ownership and other tenures. Basically, this has been identified in the calls for a 'tenure-neutral' housing policy.

What is being suggested is a policy which would not favour one tenure form against another as has been the case with home ownership. Instead, governments would create a 'tenure-neutral' policy framework which would allow a non profit sector to develop in competition with owner-occupation. Dalton identified three basic principles for this policy framework.

Firstly, it would be essential to set rents in the public sector on the basis of the pooled historic costs of the public housing stock. This means that older housing, which is already paid

for but for which rent is still forthcoming, helps to keep down the costs of the more recent and therefore more expensive stock. It has been argued that this system would allow public tenants the same benefit of declining real loans payments which is available to home owners. By this method, the rent required to service the loan decreases relative to tenant income.

Secondly, Dalton argues for subsidy neutrality between the non-profit sector and home ownership. Presently, the level of subsidy per capita is on average greater for the home owner than it is for the public sector tenant. To rectify this would involve comprehensive and detailed calculations of the tax and direct subsidies available across the tenures. He claims:

"on the basis of this data, subsidy levels would then be set, such that there was no advantage to either tenure".
(Dalton, 1982)

The third principle would be that the tenures would be allowed to expand and contract with demand. Under this system, the role of government would be quite different to that which exists at present. In this way, the government would not 'influence' demand in the way it has through the previous home ownership subsidies. (That is, through creating subsidies and fiscal benefits for home owners, and attractive loans for first time buyers, the government has been creating an advantageous system for home owners which, in turn, pushes up demand for home ownership and it becomes a 'self-fulfilling prophecy'). Instead, the provision of housing in each tenure would respond to the level of demand: in the case of the non-profit sector it would be the waiting lists and in the case of the financial institutions it would be the number of applications made. The aim would therefore be to ensure either an adequate supply of public sector houses or housing

loans. This is particularly important in the case of the non-profit sector where it is essential:

"that those managing the sector do not become involved in determining relative needs. Otherwise the consequence would be a return to the present practice of rationing, and personal judgements". (Dalton, 1982)

As well as the embodiment of the foregoing principles, Dalton argues that other initiatives are needed if the policy is to become a reality. The most important being that the people living within this non-profit making tenure are awarded equal rights to those in owner-occupation. Therefore, tenants should be able to alter their dwellings and have security of tenure (it is interesting to note that these initiatives were part of the 1980 Housing Act in Britain). Another initiative would be the setting up of non-profit housing bodies and thus tenants would be given a greater say in the management of their houses.

Kemeny also states his case for pursuing a 'tenure-neutral' housing policy. He claims:

"The case against home ownership must be extended to demonstrate that a housing system dominated by home ownership creates unacceptable social, economic and political strains. So the case against home ownership as a tenure must be extended into a case against an over-emphasis upon home ownership - a case against 'monotenure'". (Kemeny, 1983)

His main argument is that the problems associated with 'monotenure' are not only present in the housing arena but are replicated and reproduced in society as a whole. These include economic inequity and access to other services. He also examines what he calls the:

"unintended policy consequences of the one-sided sponsorship of home ownership which may be described as 'the ratchet effect'". (Kemeny, Ibid).

This is concerned with the often expressed rationale for home ownership policies being simply a response to demand for home ownership rather

than initiating a specific situation. However, Kemeny claims that this reasoning is somewhat naive. There is a certain amount of truth behind the assertion, however, as the policy, once initiated, sets in motion a logic and momentum of its own which is difficult to break:

"In other words, the one-sided encouragement of home ownership set in motion a process which involved a built-in self-fulfilling prophecy. Home ownership is encouraged by being given favoured treatment and subsidies - this makes home ownership more attractive than other tenures - this results in demand for home ownership rising - this in turn places pressure on politicians to make access to home ownership more easy - this in turn results in greater favoured treatment, which further increases demand, and so on." (Kemeny, 1983)

Having outlined the processes which reinforce home ownership as the dominant (and, most 'popular' tenure) Kemeny then outlines his arguments for a tenure neutral policy.

Firstly, he claims that a tenure neutral policy need not necessarily be seen as an attack on home ownership. Rather, it would involve an equal encouragement of home ownership and cost-renting. The aim of such a policy therefore would be to provide a tenure neutral administrative framework through which the inherent strengths and weaknesses of the respective tenures would be apparent without government policy weighing the dice in favour of one tenure against another.

Secondly, the policy would seek to maximise the influence of consumer demand on the supply of owner occupied as against cost-rent housing; thus the role of government in terms of housing policy would be to referee the allocation of scarce housing resources to the two tenures in an approximation to the market. Thus, he contends:

"Housing tenure policy would then become genuinely 'consumer-led'". (Ibid)

Finally, Kemeny claims that the policy of tenure-neutrality depends fundamentally on a policy of 'subsidy-neutrality'. That is, the balance of net taxation and net subsidy must result in per capital equality between owner-occupiers and cost-renters, so that the effect of fiscal intervention in housing is non-discriminatory in terms of tenure. Thus:

"The overall aim of a tenure-neutral housing policy is therefore allowing market forces to determine demand and supply within a framework of Government vigilance to ensure even-handedness. Such a policy would almost certainly result in a larger and more attractive public rented sector. Yet the strength of the policy would be that paradoxically it would involve less - not more - Government intervention in housing." (Kemeny, 1983

Not only researchers and academics have suggested that a more neutral form of housing policy should be adopted and implemented. The South Australian Government have produced a 'position paper' which is titled the 'Renegotiation of The Commonwealth - States Housing Agreement'. Within that paper there is a section titled 'Tenure-Neutrality'. (SAHT Position Paper, February, 1984) It begins:

"The 1984 Commonwealth-State Housing Agreement should take account of, and attempt to redress, the current inequities which exist between private tenants, public tenants and home owners". (Ibid)

It then goes on to list the differences in costs and benefits experienced by households in different housing tenures. Basically, they reiterate what has already been mentioned here: new home owners often face relatively high costs but, over time, their costs increase slowly so that in real terms they fall since they benefit from capital gains; home owners also benefit from interest rate controls, exception of imputed rent from income tax, the rates rebate and assistance to first home-buyers such as the First Home Owners Scheme (FHOS) and Home-Purchase Assistance (HPA) through the CSHA. It may be fair to ask if such assistance to first time buyers is

forthcoming, why do more people not opt for concessional loans? However, deposit requirement and capacity to pay tests make this an impossibility and the poor are thus not able to take this up.

The South Australian Government Paper also confirms previous assertions that the policy of market rents, recently established, does little to improve the already existing inequalities. It increases the costs to public tenants and moves the burden on to those least able to afford to subsidise the other tenures.

Apart from equalising the benefits to similar households in different tenures (tenure neutrality), another main objective of the renegotiation of the CSHA (claims the SAHT Paper) should be to alleviate housing related poverty. They quote research which estimated that at December 1982 there were 672,000 pensioner units renting privately in Australia. There were an unknown number of very low earners also renting privately. Most of these two groups, paying a very high percentage of their incomes in rent. For those living alone it was estimated that rents varied between 36 per cent and 62 per cent of income, depending on the pension received and household size. As a result of the difficulties of trying to find suitable and affordable accommodation in the private sector, increasing numbers of pensioners are applying for public housing in all states.

At the same time, the number of non-working applicants increased from 5,770 to 10,561. Forty five per cent of this growth came from an increase in applications by those receiving unemployment subsidy, 22 per cent from applications by supporting parents on benefit and 17 per cent from aged pensioners.

These households, although in urgent need of better and cheaper housing had to wait for long periods before being housed. In 1982/83

new tenants allocated to houses in the central metropolitan area had to wait 35 months on average. Thus, although recent CSHA's have had a general commitment to assist the poor, there has been no clear achievable strategy for reducing poverty. Therefore the Paper suggests:

"Rather than simply setting a target for building activity the Agreement should include a quantitative target for levels of assistance to the poor". (SAHT Paper, 1984)

Having outlined the debate regarding a tenure-neutral housing policy it is appropriate to summarise this chapter.

3.7 Summary

The Australian pre-occupation with home ownership has meant that what could have become a viable public housing sector (at least in the 1950's) has tended to veer steadily towards the 'welfare' role. As a consequence more and more tenants are under pressure to leave this tenure. Therefore, the level of choice open to the consumer has diminished and those who enter public housing do so because they simply do not have that choice.

At the same time, waiting lists for public housing are growing for the reasons already mentioned; changing social and family structure; increasing numbers of households dependent on benefits; and, partly, because of the previous policy of selling public stock in large numbers.

What has been argued for is a tenure-neutral housing policy in Australia. The current housing problems in Australia are the long waiting lists for public sector housing and concern about the imbalance of housing finance and subsidies for home owners and tenants.

Perhaps the most contentious issue is the policy of charging public housing tenants market rents and the financial and social implications which arise out of this.

British Housing Policy -- Current Issues and Problems4.1 Introduction

The current issues and problems in British housing policy are remarkably similar to those which have been outlined in the Australian case. The sale of council houses is a slightly different problem here and will be examined fully. However, the question of the imbalance in subsidies is as relevant in Britain as is the decreasing number of council houses being built. The disrepair of council stock is also a problem which, linked with the absolute cuts in housing expenditure, is potentially the case of another 'slum' clearance programme of the future.

The growing waiting lists for council houses presents another problem for the local authorities and this is linked with the different types of prospective tenant wishing to be housed by the local authority. Single homelessness is rising all the time while the typical house coming available in the public stock is a 3 or 4 apartment. This mismatch between what is available and what is actually needed is worsening. These are the current issues for housing authorities and it is to the question of sales we turn first.

4.2 Council House Sales

The sale of council houses is perhaps one of the most contentious issues in housing policy today. While there are serious consequences of a policy of sales without safeguards of future building, the whole question appears to have become extremely 'politicised'. In this way, both major political parties tend to see the issue in very simple terms: for example, the Labour Party (although having sold council houses in

their own terms of office) see this combined with an absolute decline in stock, as a threat to the provision of council housing for those who need or choose it as a means of tenure. On the other hand, the Conservatives see sales as a way of reducing intervention in the housing market which fits in with their overall policy of reducing Government intervention in many aspects of society. This blinkered outlook on both sides prevent the costs and benefits of such a policy for the consumer being seriously discussed or properly understood. However, a brief history of sales policy is necessary before looking at the possible effects of such a policy. There is a tendency to assume that the 1980 Housing Act was the first piece of legislation which ever broached the subject of selling council houses to tenants. The publicity which the Act attracted would certainly lead one to believe that this was the case. However, houses had been sold to tenants previously and by both parties. The Act did, however, put the housing authorities under a legal obligation to sell houses to tenants should they wish to purchase and this was a departure from previous policy.

"Those who imagine that this is a new issue in local housing policy are mistaken. Suggestions that municipalities should dispose of houses they own have existed for as long as municipalities have provided housing." (Murie, 1975).

In the period 1953-59 some 14,000 council owned dwellings were sold. Between 1959 and 1972 over 150,000 were sold. In the peak year of 1972 over 60,000 were sold. Permission to sell local authority houses had been granted before 1939. Under Section 79 of the Housing Act of 1936 local authorities were empowered to sell council houses but required Ministerial permission to do so. However, with the outbreak of war, restrictions on the sale of rented property were introduced and this was accompanied by the refusal to contemplate further sales under this Act.

This was maintained after 1945 and extended to houses purchased by the local authority. throughout the remaining period of the Labour Government's administration, the Conservatives pressed for the restrictions to be lifted but were answered:

"It is contrary to the Government's policy to agree at the present time to the sale of council houses in view of the importance of ensuring that as many houses as possible are available for letting to persons most in need of them." (ibid.).

The Conservative Government of 1951 immediately carried out a shift in policy following up their election addresses which had used terminology such as 'property-owning democracy' to describe the philosophy of the Party. There was a relaxation in licensing for private building and subsequently, its abolition in 1954, the removal of controls on the selling prices of post-war dwellings and the adoption of less rigorous formula for the allocation of buildings for sale. The Conservative Government gave general consent which enabled local authorities to carry out sales and notify the Minister only on completion. This general consent and the commitment of government to it remained throughout this period of office.

At the general election of 1965 housing issues featured prominently in the Labour Party. Labour's attitude to local authorities' role in housing was that

"Their 'primary job' was one of building houses to rent, but the Minister was always ready to consider local authority proposals for building for sale where this would make a useful contribution to meeting housing needs." (Murie, 1965).

Thus there was no absolute denial that houses could be sold to tenants although the main function of the local authority was to be one of provision of housing for rent.

At the same time, the establishment of the New Towns and the wish to create a balance of economic and social forces in these areas, made it imperative that owner-occupation should be encouraged. Therefore, it was acknowledged that a certain amount of sales would be necessary in the New Towns.

By 1967 things had changed. The 1967 Labour Party Conference debated the issue of council house sales for the first time:

"This Conference views with concern the selling of council houses by local authorities, and sees the hardship this will bring upon municipal tenants who are unable to purchase the accommodation in which they live and upon those who are on waiting lists. It calls upon the Labour Government urgently to review its policy on this question with special regard to the sale of council houses by Tory controlled authorities in many areas where there is still an unsatisfied demand." (Ibid.).

The issue was not whether people should own their own homes but whether or not houses built and paid for by public funds should be re-sold later for private gain and to the detriment of families in the greatest need. In 1968 the general consent was renewed, but with a quota system as to the proportion of council houses which should be sold.

On its return to office in 1970 the Conservative Government was to remove the restriction on sales introduced in 1968. This was consistent with the development of their policy while in opposition with its emphasis on owner-occupation. An emphasis was placed on the operation of the supply and demand mechanisms of the open market and the encouragement of independence and initiative. The rationale for pursuing a sales policy (apart from the aforementioned trend towards independence) was that the sales would release resources which could be made available to help people still on the waiting list. there was a return to 'market'

principles via the Housing Finance Acts of 1972. The forces of supply and demand would determine rent levels and house prices and those who found difficulty in affording market prices would be helped via rent rebate and allowance schemes.

Murie suggests that the Conservative's enthusiasm for the free market system (while in opposition) determined its attitude to public and private sectors. However,

"In the case of council house sales it appears to have become influenced by other factors. There is a strong impression that to some Conservatives the sale of council houses had become an end in itself." (Murie, 1975).

That this may well have been the case was indicated by the absence of earlier considerations over purchase prices and restrictions. The 'right to buy' was increasingly mentioned and less and less regard for safeguards for the local authority.

The Labour Government of 1974 was to change things once more. One of its earliest actions when elected was to abandon the Conservative's 'fair rents', free market approach. Consistent with this was that advice on the sale of council houses and in the new towns was to change. At the same time, exchequer loans to building societies were designed to prevent interest rates from rising and increasing lending by local authorities for house purchase and a new low-start mortgage scheme were intended to sustain and increase demand for private house purchase.

Following the two general elections of 1974 and against the Labour Government's continued discouragement of council house sales, Conservative and Liberal Party spokesmen proposed extensive council house sales.

In summarising the foregoing it can be said that both parties seem to have crystallised their views with regard to council house sales

(although large numbers of council houses were sold under Labour Governments) with the Conservative party emerging as almost seeing this policy as an end in itself.

With the passing of the 1980 Housing Act, the debate surrounding council house sales has been concentrated into party politics more and more. This is possibly to be expected but what blurs the issue is that the 1980, (Conservative) Act was based on the 1977 Green Paper which was a Labour document. As the 1977 Green Paper and the 1980 Act have been examined fully in Chapter 2 there is no need to reiterate here. However, it is worth trying to look beyond the immediate politics of the issue and examine the benefits for the consumer.

The Labour Party's attitude towards sales can be said to be rather confused. On the one hand they have sold many council houses in their own terms of office, while they now pursue an almost relentless anti-sales campaign. As well as this, it cannot be denied that many Labour supporters themselves have been the purchasers of those houses.

Jacobs (1981) attempts to separate the somewhat unbending attitude of the Labour Party towards sales from the belief that public housing per se should be defended in principle. His contention is that many Labour supporters seem to see any move towards an attack on the welfare state as completely unjustifiable no matter the reasoning behind it, to say nothing of the potential benefits to the consumer - in this case the tenants. It is as if the 'left' automatically put themselves in the position of defending something which given its inadequacies, may not be worth defending in its present form. He says:

"The Labour Party in its opposition to obligatory sales succeeds in antagonising the aspirant purchaser while offering little in return to the council tenant. There is little coherence to its policy, caught as it is between the popularity of home ownership which Labour Governments, as much as any, have helped to foster, and the need to keep the Party faithful happy by maintaining at least a semblance of its traditional stance in support of the public sector." (Jacobs, 1981).

Thus the Labour Party has a rather ambivalent attitude towards the sale of council houses. For example, in 1978, Labour's last full year of government, more than 28,000 council houses were sold, which at that time was the third highest total ever achieved. At the same time, at its 1979 annual conference, the Labour Party announced that it was about to launch a national anti-sales campaign. In the composite motion carried by conference, Labour was careful to commit itself only to repealing legislation which compelled sales and not to prohibiting sales altogether.

Jacobs points out that it is a 'conventional wisdom' within British society that owner-occupation is the housing tenure most conducive to capitalist development with the public sector as 'socialist' housing the least conducive to capitalist principles of the market's non-intervention approach.

"This view ignores both the obvious prosperity of countries like West Germany where, in 1968, only a third of its housing was under owner-occupation and the fact that home ownership not only exists in China but is still encouraged there. Neither does it acknowledge the many advantages that have accrued to British capitalism from its public sector." (Jacobs, 1981).

He goes on to claim that this type of analysis, the association found between East European council housing and socialism, has not only

helped Tory principles but also has helped avoid too close an examination of the nature of the public sector so that in the 1960's high rise housing could be passed off as a means of solving pressing housing problems rather than being an expression of the interested parties in the construction industry.

The most common fears expressed by opponents of council house sales are that: the 'better' (ie older) stock will be sold thus making it harder for those who would have been eligible for transfer to aspire to 'better' housing; the whole notion of rent pooling will break down (this is the theory that rents from older, cheaper houses will be removed from the general pool of rents thus making the cost fall on the more expensive newer houses and so rents will inevitably rise for the remainder); that there will become 'ghetto' situations with the more attractive and older housing estates being sold off to tenants while hard to let housing in a poorer location and of inferior design will be all that is left on offer to the remaining tenants in the public sector.

While these concerns are certainly valid ones it could be argued that due to the sheer numbers of people living in the poorer type of housing, the actual likelihood of a transfer is perhaps a pipedream anyway. Also, there is a definite tendency for rents in the public sector to rise with or without the notion of rent pooling. The sales policy also does pump sums of money back to the local authority via the prices paid for the houses. Theoretically this money could be put to uses to bolster the public sector such as maintenance or new build. However, due to the real cuts in central government expenditure in

housing this is not actually happening. With regard to the 'ghetto' situation which could be created due to the selling off of 'better' stock, perhaps it would be more appropriate to try and deal with the problems in these estates regardless of a sales policy rather than it being put forward as a one or other option. There is no guarantee that if a sales policy were not adopted that the 'ghetto' situation would vanish, or even be tackled at all.

Apart from the arguments put forward by policy makers and politicians there must be an acceptance of the fact that, like it or not, tenants in the public sector are buying their homes. What is tending to be obscured is the benefits for tenants which accrue to home ownership. Why should these benefits be kept from public sector tenants? In the end the public tenants (those whom the Left seem ready to defend) may be the ones to bear the brunt of this ideological stance on the protection of 'public' assets). There are also those on the Left who claim that almost as soon as a tenant becomes an 'owner' his/her political awareness will completely disappear. This seems dubious as well as presumptuous as not all working class people are automatically on the 'left' and it is extremely unlikely that any change in status (while actually living in the same house) will turn a tenant overnight into a bastion of the capitalist system.

"Basically, we do not know what ideological influences, if any, buying a home has on the working-class family. Can it really be said that home ownership will transform the class-conscious militant into a class-collaborator." (Jacobs, 1981).

As well as this, there are potential gains to transferring from tenant to owner-occupier:

"It needs to be added that the worker who owns a house outright is better able to withstand the effects of a prolonged strike than is the tenant. also, in the event of arrears, building societies are probably less eager to repossess than are local authorities to evict." (Ibid.).

While there should be concern for the plight of the poorly housed in the public sector, the issue of sales is almost taking the brunt of every cause of concern within the public sector. This leads to the mistaken belief that if only there were no sales policy then other problems would magically disappear. Apart from being misleading, this draws attention away from the benefits of sales for the tenants or the reasons they wish to purchase in the first place.

"The benefits range from rights of inheritance, relief from income tax payments and exemptions from capital gains tax, to security of tenure, increased access to credit, greater mobility, enhanced status, the availability of grants for improvement, the right to undertake alterations and freedom from petty housing management regulations such as not being allowed to keep pets.....", ".....can its advantages be denied to members of the working class who might have access to them, particularly when offered at bargain prices?" (Jacobs, 1981).

Thus, the opponents of council house sales call upon prospective working class purchasers to make a sacrifice on the grounds that others in the class are denied similar opportunities and therefore will suffer as a consequence. This, presumably, is based on the spurious ideological grounds that public ownership under capitalism is somehow a form of socialism. There is the temptation to note that perhaps those who shout the loudest are themselves enjoying the benefits of owner-occupation. Under these circumstances a campaign to stop or limit sales must expect hostility from prospective buyers. working class home ownership is established in Britain and a campaign to promote public

sector housing as a primary tenure should have been fought a long time ago. As Jacobs notes:

"Working class owner occupation is firmly established in Britain, which fact, even if regrettable, must be recognised in housing struggles or risk alienating owner-occupiers from the labour movement. Opting out of the public sector does not make a worker a class quisling." (Ibid.).

Having examined the sales issue we now turn to looking at government intervention in housing policy.

4.3 Government Intervention

Perhaps the whole debate of the sale of council houses highlights one of the most pressing issues in the housing field today. That issue must be what exactly 'government intervention' should consist of. As the present government clearly wishes to reduce state intervention in many areas traditionally receiving large subsidies from the state, (for example, health care and education), the issue may seem very clear cut. However, the housing arena once again focuses on what constitutes 'intervention'. The huge subsidies available for home owners is not traditionally seen as active state intervention but this is rather a narrow outlook. On a more detailed examination of the way these subsidies work the issue of what 'public' housing is composed of is fudged. Why should only the construction of houses which are rented to local authority tenants be seen as public housing? Many owner occupiers would clearly not be in the position of being owner occupiers without the benefits of the tax system but this is deemed to constitute the 'private' market.

"On the current expenditure side, the most important subsidy to owner occupiers' housing expenditure is mortgage interest tax relief. These tax reliefs are not shown as state expenditure, yet constitute a loss of state revenue and so are equivalent to extra expenditure. Whilst general subsidies to council housing have been falling, tax reliefs to owner occupiers have been rising." (Ball, 1983).

There seems to be agreement that the subsidy to owner occupiers is indeed an integral part of housing policy:

"Meanwhile, tax reliefs on mortgage interest payments are recognised as being a form of subsidy - if not to individuals, then to owner-occupied housing as against other sectors of the market. The option mortgage scheme, and the restriction of tax reliefs on ordinary mortgages to one house at a time with a maximum loan of £25,000, show that governments now treat this as a form of subsidy which can be deliberately manipulated for the purposes of housing policy." (Donnison and Ungerson, 1982).

In other words the housing constructed under the auspices of the local authority can be clearly identified as being 'public' but those houses purchased by owner occupiers who are helped via tax subsidies are not deemed to be part of the public sector. However, both forms of housing are reliant on government intervention of one kind or another.

The question of housing subsidies is extremely complex and it is not the task of this chapter to examine it in the detail necessary to come to terms with all the intricacies of it. Suffice to say that the neat divide between what has come to be seen as 'private' and 'public' housing is becoming blurred as the state spends more and more in subsidising owner occupation and less on council housing. Given that owner occupation, and the subsidies and tax concessions associated with this form of tenure have evolved over a long period of time, it would be political suicide for any politician to simply suggest that the subsidies

be withdrawn; rather, a fairer form of subsidy needs to evolve so that those in most need of help receive it while those who can survive without it are encouraged to do so.

One way of achieving this would be to encourage the first time buyer (rather like the First Home Owners Scheme in Australia) who is possibly in more financial need than the owner occupier whose mortgage payments in real terms have declined while income has increased.

"However, as the drive to restrain public expenditure compels governments to make unpopular choices, it is clear that the present unlimited growth in tax reliefs will somehow have to be brought under control.....But if reductions in this subsidy are to be imposed fairly, they must be phased in gradually, and directed particularly at people in middle age with high incomes and shrinking households, rather than at young couples struggling to raise a family and buy their first homes." (Donnison and Ungerson, 1982).

From the foregoing, it can be suggested that reforms in the tax system and subsidies should be considered as a way of redressing the balance between the main tenures. However, at the same time, real problems do exist in the public sector and it is to these that we now turn.

4.4 Public Sector Problems

In Britain, as in Australia, concern has been expressed that the public sector will increasingly come to be synonymous with a 'welfare' sector. The cuts in Government expenditure in all spheres have been immense. With regard to housing the crisis is manifesting itself in little new building, existing stock falling into disrepair with lack of funds for maintenance and a concentration of poor people living in council houses.

"Capital expenditure on public housing has fallen in real terms every year since 1976. Tory government cuts after 1979 therefore continued a trend that had already been well entrenched during the later years of the previous Labour administration. Real capital expenditure on dwellings by local authorities in 1981 was a mere 15 per cent of that in 1976. Not surprisingly only 20,600 new council dwellings were started in 1981 compared with 107,600 in 1976." (Ball, 1983).

Glasgow District Council for example, in its Housing Plan 7

states:

"There is a serious gap between needs and resources for GDC (Glasgow District Council) housing. £77m capital spending per year is needed to keep existing stock safe, wind and watertight and £183.4 per year for all projects so far identified to meet housing needs in the city. However, the 1983/84 allocation was only £65m." (GDC, 1983).

With gaps such as this, what chance is there for a local authority such as Glasgow to increase its level of commitment to housing policy?

In a situation such as this, it is apparently hard to keep basic service provision going let alone address some of the wider issues within the housing field. (eg housing for the elderly, the disabled and single homeless).

With regard to waiting list figures in Glasgow the picture is just as gloomy.

"New information from the waiting list shows that applicants rehoused have waited an average of three years and over half (16,300) of applicants are lodging with other public sector tenants, often leading to overcrowding and to homelessness when lodging arrangements break down." (Ibid).

"The housing waiting list (excluding transfer applicants) for public sector housing has increased from 33,300 in April 1981 to 36,300 in June 1983." (GDC, Housing Plan 7).

Also, the character of the waiting list appears to be changing with most new entrants to the waiting list being one or two person households. Unfortunately, the type of accommodation which does become available does not correspond with what is needed and the problem of the childless family and single homeless is increasing.

The GDC Housing Plan also contains statistics on poverty (showing that the link between poverty and public sector housing provision is not a tenuous one but a relevant one). It is estimated that 22.7% of Glasgow's population depends on supplementary benefit to subsist. When eligible non claimants are added to this figure, it is estimated that at least 31.4% of Glasgow's population can be regarded as living 'at risk' of poverty. The highest rates of dependence on supplementary benefit are recorded in the peripheral estates, some other large public housing schemes and in poor private housing areas in parts of the East end.

"Meanwhile we must remember that what emerge as some of the most intractable housing problems are not principally housing problems at all. Bad housing conditions are a product of poverty. If we retain a very unequal distribution of income and wealth, we shall not easily achieve a more equal distribution of housing. If we try to solve people's housing problems by placing some of the poorest people in high-cost environments - where the flats are centrally heated by the most expensive methods, where there are no shops, and buses are few and far between - we transform but do not resolve their difficulties." (Donnison and Ungerson, 1982).

Therefore it can be suggested that housing problems and poverty are linked and one can not be tackled without an attempt to ameliorate the effects of the other.

4.5 Summary

From what has been written so far, the current problems in British housing policy present a very gloomy picture. Given the problems outlined in this chapter it may seem naive to suggest that the policy of council house sales should not be dismissed out of hand. However, with provisos, it ought to be considered. As Jacobs' article suggested, why should the people who stand to gain most (ie the tenants wishing to buy) be denied benefits that increasing numbers of owner occupiers are enjoying? Parallel to this is the whole question of what the role of local authority housing departments should be. Why should they simply be 'landlords'? Could they not build for sale? Alternatively, could they not buy vacant property when it came onto the private market and either rent or sell to tenants?

Having said that, of course the 'crisis' in public sector housing is a real one with real consequences for tenants, housing falling into disrepair with no money to spend on maintenance, increasing waiting times for prospective tenants and better stock being the first to go under the current sales policy. The problems of the elderly, the disabled and the mentally ill need careful consideration and a re-think in how to deal with the problems is vital.

The fact that vast and increasing numbers of public sector housing tenants are poor is perhaps a problem which, although actually affecting the housing departments in the form of rent arrears, associated 'social' problems, cannot be tackled by them. While the effects of poverty are there for all to see, the structural causes of poverty are not within the power of the local authority housing departments to tackle.

Linked to this is the fact that housing policy should not be looked at in isolation because access to housing is linked to access to education, health and other facilities. The mistakes of building large peripheral estates have been well documented and, hopefully, they will not be made again. The fact that unemployment is rising cannot be ignored or separated out from an assessment of housing policy as owing to the current structure of housing subsidies and finance, the poorest people are going to be denied access to home ownership and thus the creation of 'welfare' housing seems almost inevitable. Provisions to protect the poor while affording them the same basic choice about where and in what type of accommodation to live should be incorporated into a comprehensive housing policy.

Chapter 5

Conclusions

5.1 Introduction

This chapter attempts to draw out the significant points made in this dissertation.

From what has already been written, it can be seen that Britain and Australia seem to be facing similar problems in the housing field. It is worth pointing out that this occurs in the context of a Conservative Government in Britain and a Labor Federal Government in Australia.

However, housing policy and current housing problems are dominated by the legacy of previous administrations with different political persuasions and policies.

Basically, the problems existing in British housing policy at the moment are:-

- a) increased waiting lists in the public rented sector;
- b) decline in public sector stock both in terms of quality and quantity;
- c) the mismatch between the supply and demand of public sector stock for waiting list applicants;
- d) increasing numbers of poor people living in the public sector
- e) deterioration of public sector stock due to lack of funds for maintenance.

In Australia the problems are similar:-

- a) large numbers of public sector tenants receiving rent rebates due to policy of market rents;
- b) housing authorities funds declining due to a) above due to the fact that they have to fund the rent rebates themselves instead of Federal Government;
- c) calls for fairer distribution of subsidies across tenures;
- d) calls for a tenure-neutral policy.

However, in Britain, the debate in the housing field has been concentrated around the policy of council house sales and has been fought in political terms.

5.2 Sales

This whole subject, as illustrated in Chapter 4, has been plagued with 'political' overtones, sometimes obscuring the deeper questions as to what type of housing provision the local authority should or could be providing in the future.

There is a legacy in Britain of the local authorities providing housing for rent but why should they not build specifically for sale? As we saw in the chapters dealing with Australian housing policy, this has been the case in Australia and it is seen as part of the function of the State Housing Commissions.

However, there have been problems arising out of this and public sector sales have virtually ceased. It has been suggested however that the current policy in Australia of slowing down sales is not as much an ideological shift but purely a pragmatic decision to build up rental stock. Presumably, if the current problems are satisfactorily resolved then sales will be reintroduced as a major policy objective.

The main reasons put forward against a sales policy in Britain are that by virtue of pursuing such a policy, the rented sector will necessarily decline. In other words it has been incommensurable for local authorities to embark on a successful and all embracing rental policy, while also involved in the sale of stock.

Perhaps the way out of this would be to have two parallel housing programmes - one for rented housing and one for the production

of housing for sale? This would obviously require a huge commitment with regard to funding but, as we have already seen, enormous amounts are devoted to home ownership via tax relief.

Another reason for the anti-sales stance, as was pointed out in Chapter 4, was the belief that those tenants on the transfer lists would be denied the chance of a transfer due to the better stock being sold. This was countered with the fact that for many tenants a transfer would never materialise due to the huge numbers of people on the transfer list. At the same time it is fair to point out that although these transfers may never happen with or without a sales policy, the demand for them is there and so there is huge dissatisfaction with the present stock.

At the same time, while it was suggested that fears expressed as to tenants changing political allegiance on becoming home owners was somewhat dubious: it must be said that the Conservatives possibly encourage this belief because there is no doubt that under the present system the interests of tenants and owner occupiers do conflict.

The two tenures, as they are seen at present, are often regarded as uncomplementary and incompatible. The role of government in determining and maintaining the divide between the two tenures has been important as one is often put forward as being better or more desirable than the other (and this has usually been the owner-occupied sector).

One way of exerting influence in this process has been through subsidies.

5.3 Subsidies

Researchers and academics both in Britain and Australia have highlighted the need for review and change in the structure of subsidies.

In Australia the government has subsidised home ownership via the CSHA (previously allocating 30% of funds under the Agreement to be used specifically for the building of houses for sale). More recent schemes like the First Home Owners Scheme encourage home ownership. Also, building society, state bank and Commonwealth Bank interest rates for mortgages are held at agreed levels to facilitate loans for more people.

In Britain the emphasis has been on fiscal advantages via tax relief on mortgage interest rates. This has been construed as passive rather than active policy towards increasing home ownership but the sums allocated to the tenure in this way now amount to more than public sector subsidies so this should now be accepted, and a fairer and more equitable system evolved. Some means of controlling this growth in tax relief needs to be implemented but would have to be phased in gradually and directed at those who have higher incomes and shrinking family commitments rather than young couples with families and first time buyers.

Given that Britain and Australia do operate means whereby home ownership is encouraged via tax incentives and subsidies methods of redressing the balance must be found or the public sector in both countries will plunge deeper into crisis. This has culminated in calls for a tenure-neutral housing policy in Australia.

5.4 Tenure-Neutral Housing Policy

While the rationale for such a policy has been fully explained in Chapter 3 it has to be said that to implement such a policy would present difficulties.

Apart from the political and administrative difficulties of trying to work out such a system, the ideological beliefs regarding home ownership would be harder to challenge.

As well as this, on the other side of the argument there is a case for rejecting the tenure neutral policy for one of positive discrimination in favour of the public rented sector. Fears have been expressed in Australia that public housing is quickly becoming welfare housing (and there are signs that this may happen in Britain) and therefore should something positive not be done for the tenants of public sector housing?

It is not enough to simply suggest that huge sums of money should be made available to enable freedom of choice (at least in an economic way) for the consumer. There are groups in society who are disadvantaged in non-economic ways such as the physically disabled, the mentally ill and the elderly for whom special provision will need to be made. Just how this would operate within a tenure neutral housing policy is a serious point worth consideration.

Kemery claims that if a tenure neutral housing policy were operating then people would want to remain tenants in the public rented sector because everyone does not automatically want to own their own home. This is indeed true, but if real freedom of choice were available with access to all tenure forms then who is going to choose housing stock of an inferior design, poor location and lack of amenities if they can have access to other tenures with 'better' stock? These are questions which will need to be answered.

To operate a tenure neutral policy would necessitate a more unified political approach towards the aims and objectives of

such a policy. However, one of the most interesting points to emerge from this dissertation has been the attitude of the Labour Party, both in Australia and Britain, towards the issue of home ownership.

5.5 Political Attitudes

It can be said that the Labour Party in Britain has never come to terms with the issue of home ownership. The debate surrounding council house sales illustrates this. In their Green Paper of 1977 they claimed that more and more people were wishing to become owner occupiers and that this was 'a basic and natural desire'. However, when the 1980 Housing Act was implemented by the Conservative Government, a vigorous anti-sales stance was taken.

Pugh (1976) claims that the Labor Party in Australia have gone along with the campaign to increase levels of home ownership showing little or no resistance except in periods of crisis when statements are made regarding the role of the public sector.

For both Labour parties, it is a sensitive issue. However, what should be remembered is that there is the demand for home ownership from tenants in Britain and those wishing assistance through the various financial schemes in Australia.

As has been stated earlier in this chapter home ownership and the public rented sector have been seen as incompatible or at least in competition with each other when it comes to financial aid. This is perhaps true and thus the interests of home owners and owner occupiers are rarely the same.

However, rather than simply advocating a 'no-sales' policy per se, it would be more appropriate to recognise that owner

occupation is increasing and more people wish to enter this tenure and investigate ways of allowing more diverse groups of people access to home ownership.

Having said that, of course there are serious problems with the run-down in stock in the public sector and these need to be tackled and tackled quickly to prevent a deepening crisis.

Under these circumstances where does a policy of sales become viable? Looked at in theoretical terms a policy of sales of council houses is acceptable. However, safeguards to build up and maintain the existing public sector while investigating new ways of providing housing must be maintained.

As we saw in Australia this has not happened and more and more people are being moved out of the public sector, not through choice but through the policy of market rents. The question to be asked now is what can British housing policy makers learn from the Australian experience?

5.6 Lessons to be learned

Firstly, encouraging home ownership brings problems if carried out on such a scale as it has been in Australia (69% of Australians are home owners).

In 1981 there were 21,184,000 dwellings in Great Britain with 56.4% in the owner occupied sector; 31.0% in the public rented sector and 12.6% in private rented. (In Scotland however the picture is altered and out of 2,012,000 dwellings, 36.8% were owner occupied, 53.5% in local authority rented sector and 9.7% in the private rented). (Source: Housing & Construction Statistics 1971-1981 Table 102, HMSO 1982).

In Australia the public rented sector accounts for approximately 5% of the stock and the current stock would have been 10% if a sales policy had not been pursued. Thus, half of all houses built have been sold.

The fact that Australia's public rented sector is so much smaller than its counterpart in Britain must mean that the problems existing here would be even greater involving more households if Britain were to follow Australia down the path to increased home ownership without taking account of what has happened in Australia and taking steps to counter the problems.

Having made the prediction that Britain will come up against similar problems as Australia (creating a welfare sector in place of the public sector, increased waiting lists, continued imbalance in subsidies) it is appropriate to examine some innovative schemes which the Victorian Housing Ministry has implemented to overcome some of the problems.

5.7 New Schemes

In Victoria, a variety of schemes have been implemented to try and alleviate problems associated with the public sector. A Spot Purchase scheme operates whereby residential dwellings (detached houses and flats) are purchased on the open market to provide long term public rental stock. After purchase the houses are upgraded to the Ministry's own standards. This encourages social integration between Ministry customers and established residents and has the advantage of allowing a degree of anonymity. By purchasing properties in well-established inner and middle suburbs clients already have access to social services and community

facilities such as public transport, schools, medical centres and shops.

Dual occupancy is a way of meeting the needs of an increasing number of smaller households by providing two independent homes within a single residence. It enables better use of housing in already established areas. The scheme mainly provides two bedroom accommodation by converting larger detached houses into two separate units.

The Ministry of Housing has also become involved in the running and setting up of 'Rooming Houses' - a traditional form of housing in Melbourne - which is a means of providing single-room accommodation for a diverse group including single adults, elderly persons and young people. Appropriate management is established and this is usually community-based encouraging resident involvement.

These innovative schemes illustrate that while Victoria has problems in the public sector, steps are being taken outwith the usual role of providing rented housing by new build and of a 'traditional' (family) accommodation type. This calls into question what the role of the housing departments should be.

5.8 Role of Housing Departments

As we saw in Chapter 2, the role of the British local authority housing departments was to provide rented housing for those who were unable to compete in the private market. Gradually, the notion of a public sector evolved and it became a tenure in its own right (at the same time putting pressure on the private rented sector which was exacerbated by rent controls) and a viable choice for those seeking accommodation.

The growth of home ownership (encouraged by government intervention via tax incentives and benefits) has meant that public sector housing has often been seen as second best and a tenure for those who, for some reason, cannot enter the owner occupied sector.

Mistakes have been made over the years in the design, location and materials used in public sector housing. This has led to the social and physical segregation of public sector tenants and 'problem' estates have evolved where vandalism and social problems are rife.

Local authorities have, however, implemented schemes such as Homesteading where properties which have proved impossible to let due to disrepair and vandalism have been sold at a token price to people wishing to buy their homes but for whom entry to the owner occupied sector may have been difficult. On the whole, these schemes have proved successful with the owners taking experiencing few problems.

Glasgow District Council also operate a scheme whereby if they sell GDC land to private house builders, then houses built on that land will either be offered to GDC to then let or sell to tenants or the builders will sell direct to tenants who wished to purchase a house. In this way many inner city sites which were derelict have now been built upon and more housing provided.

5.9 Concluding Remarks

From the foregoing it can be seen that Britain and Australia have experienced the same problems in recent years with regard to public sector housing. The crucial point for British housing policy makers is that Australia is even more oriented towards a home ownership ideology than Britain and so increased home ownership

will not solve the present problems but, in fact, may exacerbate them.

What seems clear is that along with the pursuit of home ownership the public rented sector must be maintained as there are groups of people who want to rent their homes along with groups of people who are disadvantaged and whose interests must be looked after.

At the same time, the Labour Party can no longer close its eyes to the fact that more and more people wish to become home owners or that the public sector needs to change and should not be defended simply because it is threatened rather than acknowledging that changes need to be made to come to terms with economic and social trends.

Australia has consistently followed the path of home ownership and Britain has a chance to examine what has followed from this before plunging into a policy which has immense ramifications for the public sector.

Lastly, a sales policy should not be implemented instead of improving the public rented sector and bringing it into line with changing demand. However, the present government seems to take this line and thus a sales policy is being pursued for the political reason of reducing government intervention in housing rather than ensuring that more people can have a choice as to what type of tenure they wish. If this is pursued then the consequences for the public sector are dire.

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