

A State of Decline ? : Putting Housing back on the agenda in South Australia

- The ghosts of housing policy past
- Messages for today ?
- Are we bogged down in a welfare argument when we need a broader social & economic framework as well as welfare solutions ?



When have Housing Programs been supported in SA ?

- Housing Programs attract strongest public & political support when they are couched as broad-based :
 - Consumer or social programs,
 - Industry/economic programs or
 - Reward programs
- But not as focused welfare programs



Examples from 1910 onwards

- To fight housing crises eg high rents; finance issues; low standards; health issues
- As a bulwark against socialism
- As a bulwark against capitalism
- To build citizenship, good workers, family life, thrift & to uplift society
- To reward service eg War Service Homes
- To promote social stability & contentment
- To enhance the home as the economic centre of consumerism



Plus, from 1940 onwards

- Response to market failure (eg Depression)
- Response to crisis eg World Wars
- Economic management and growth
- Industrial development & urbanisation
- Develop mature private markets eg land, finance
- Contain private sector prices through public sector competition



The Current Problem

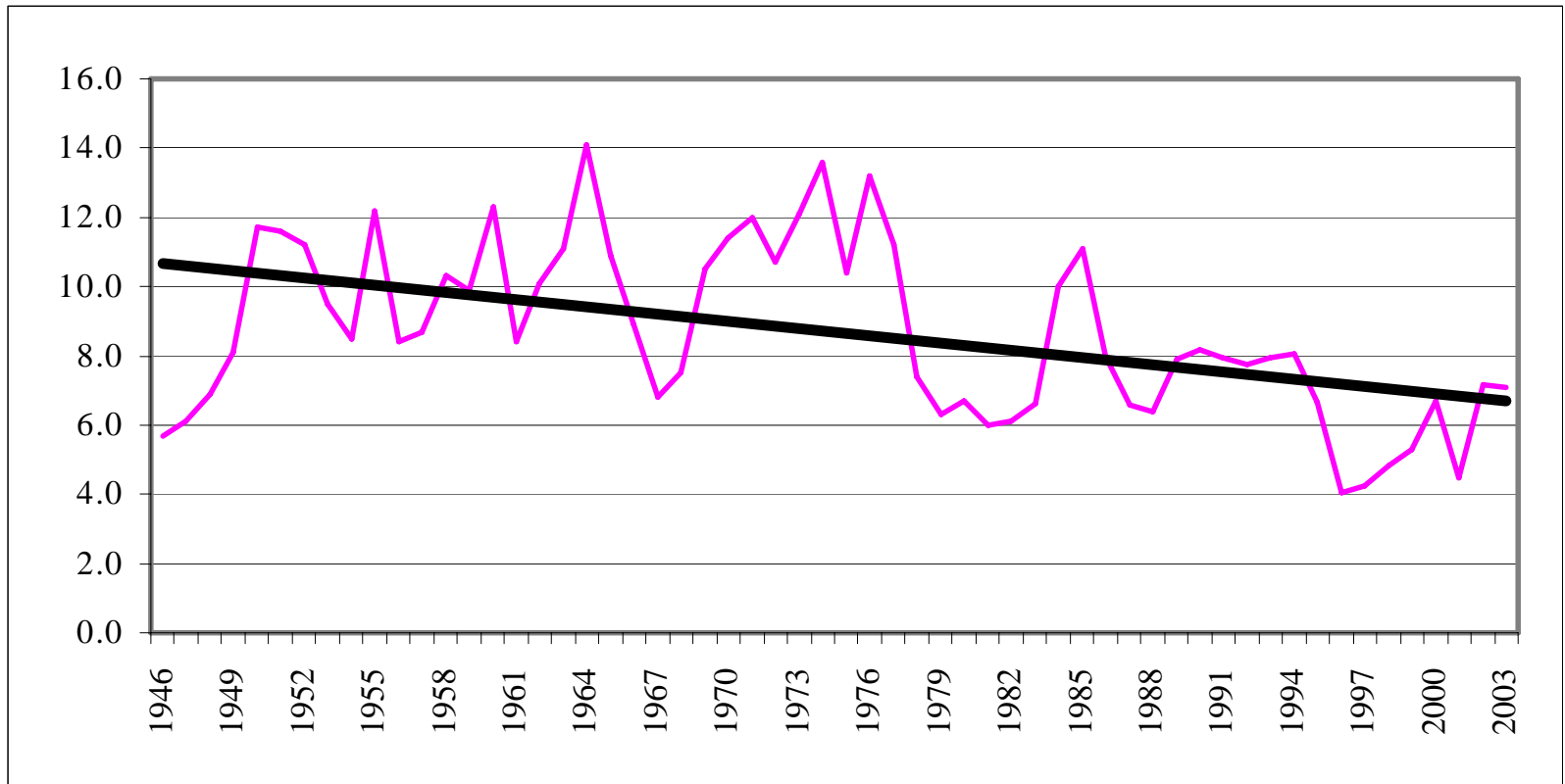
- Until the early 1990's housing policy had a high profile in SA
- Housing investment was high
- Including both public housing and home ownership
- Housing needs were increasingly being met, both general and special
- Since then public investment has declined dramatically



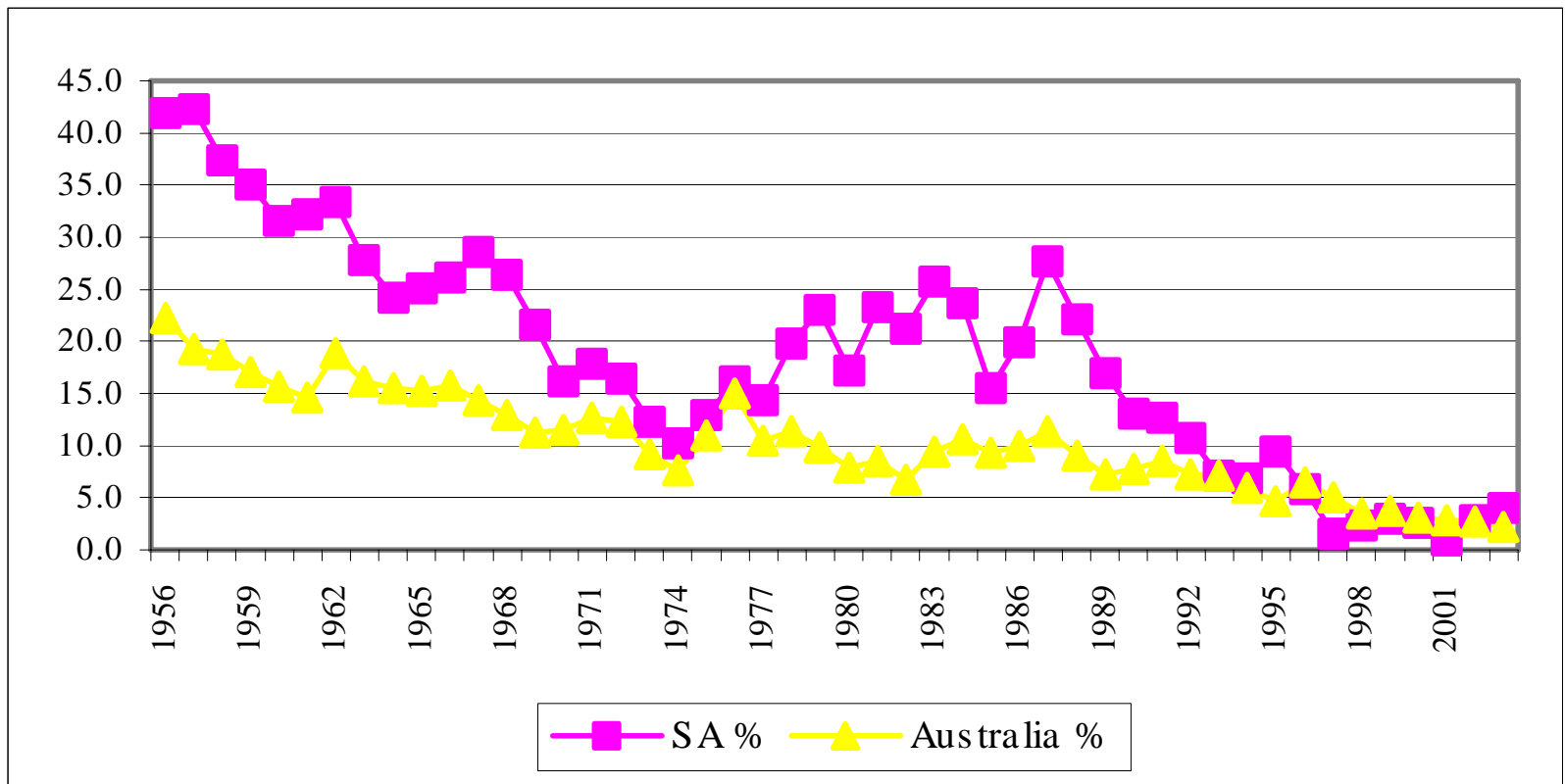
The Background to Housing Investment

- I will show you three charts -
 - All dwelling approvals in SA from 1946 to 2003 per 1000 mean population
 - Government share in dwelling completions from 1956 to 2003
 - Number of purchasing households 1911-2001

Dwelling Approvals per 1000 Mean Population SA 1946 - 2003

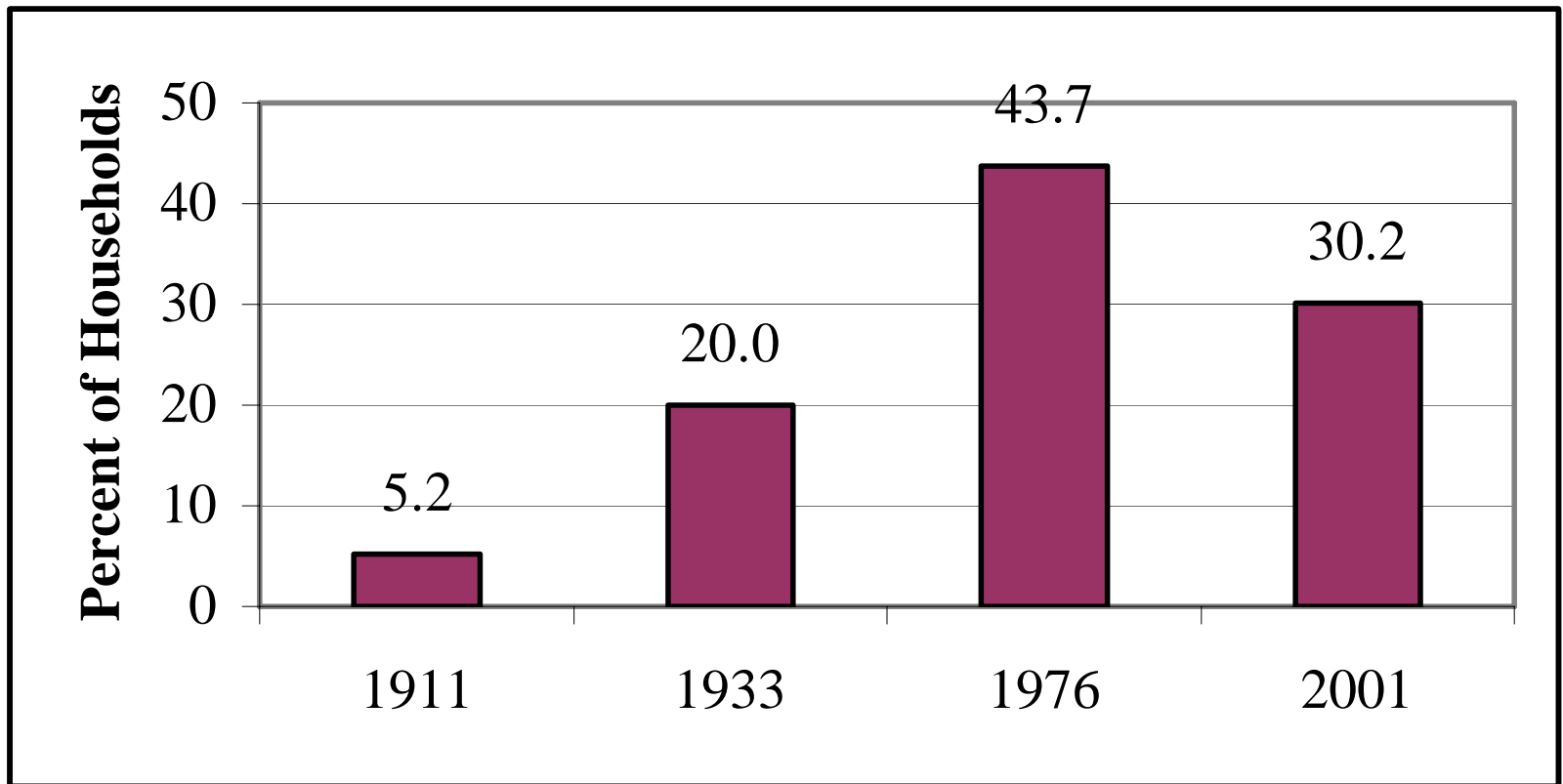


Govt Share of New Dwellings





Number of purchasing households – Adelaide





Comment

- SA's approval rate similar to Australia's except after 1993
- But government contribution up to 1990 about twice national level
- Including home ownership, government funded nearly 50% of new dwellings in SA 1946 – 1980
- Net State indebtedness averaged about 20% of GDP during this period Cf 6% now & falling



Factors Driving Post-War Strategies

- Initial catch-up effects of Depression & War
- Growth philosophy – grow population; grow jobs; grow investment
- Opportunity eg plentiful land, easy foreign investment, low interest rates
- Public Housing seen as productive social & economic asset not a cost; ditto home ownership
- Premier Playford's Economic Strategy



Playford's Economic Strategy

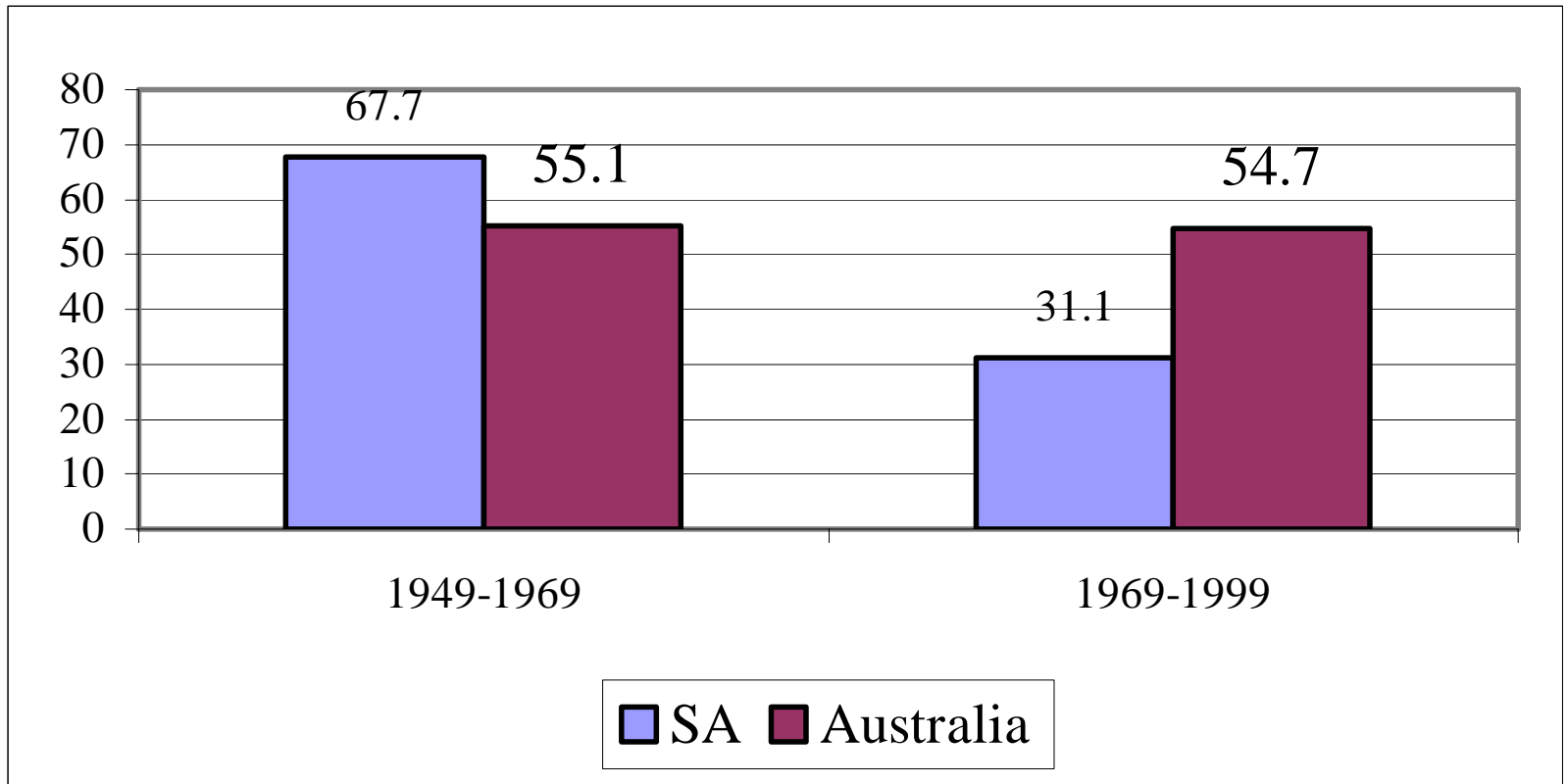
- Cheap land, labour, credit & infrastructure
- Low cost workers' housing (rental & purchase)
- Pursue foreign/national investment
- Actively manage land markets
- Sustain economic growth
- Foster urbanisation
- Link investment, employment & urban development
- Pursue active immigration policy



Effects #1

- Strong economic growth
- Improved profitability for investors – because of low cost structure
- Improved equity of social outcomes
- Strong population growth
- A supportive, confident & optimistic population

Population Growth





Effects #2

- Public housing stock = 12% of total by 1991
- Investment became unsustainable as client base changed towards welfare population in 1970's & 1980's
- But did we go too far too fast in 1980's ? – 50% increase in public housing stock in ten years



Messages

- Housing Programs attract public & political support when they are couched as broad-based consumer/social, economic/industry or reward programs not welfare programs
- Population growth, jobs and housing investment interact and mutually support each other
- Coat-tails effect for welfare needs



Outcomes of previous policy

- Large stock of social housing to meet diversity of housing need
- Low after-housing poverty rates – best pre/post drop in Australia
- Debt was affordable if managed properly and clientele diversified
- But this didn't happen = debt crisis



How the gains were lost #1

- Economy changed
- Special needs grew
- Public housing became welfare housing
- Commonwealth loan finance became grants
- Financing system became unsustainable



How the gains were lost #2

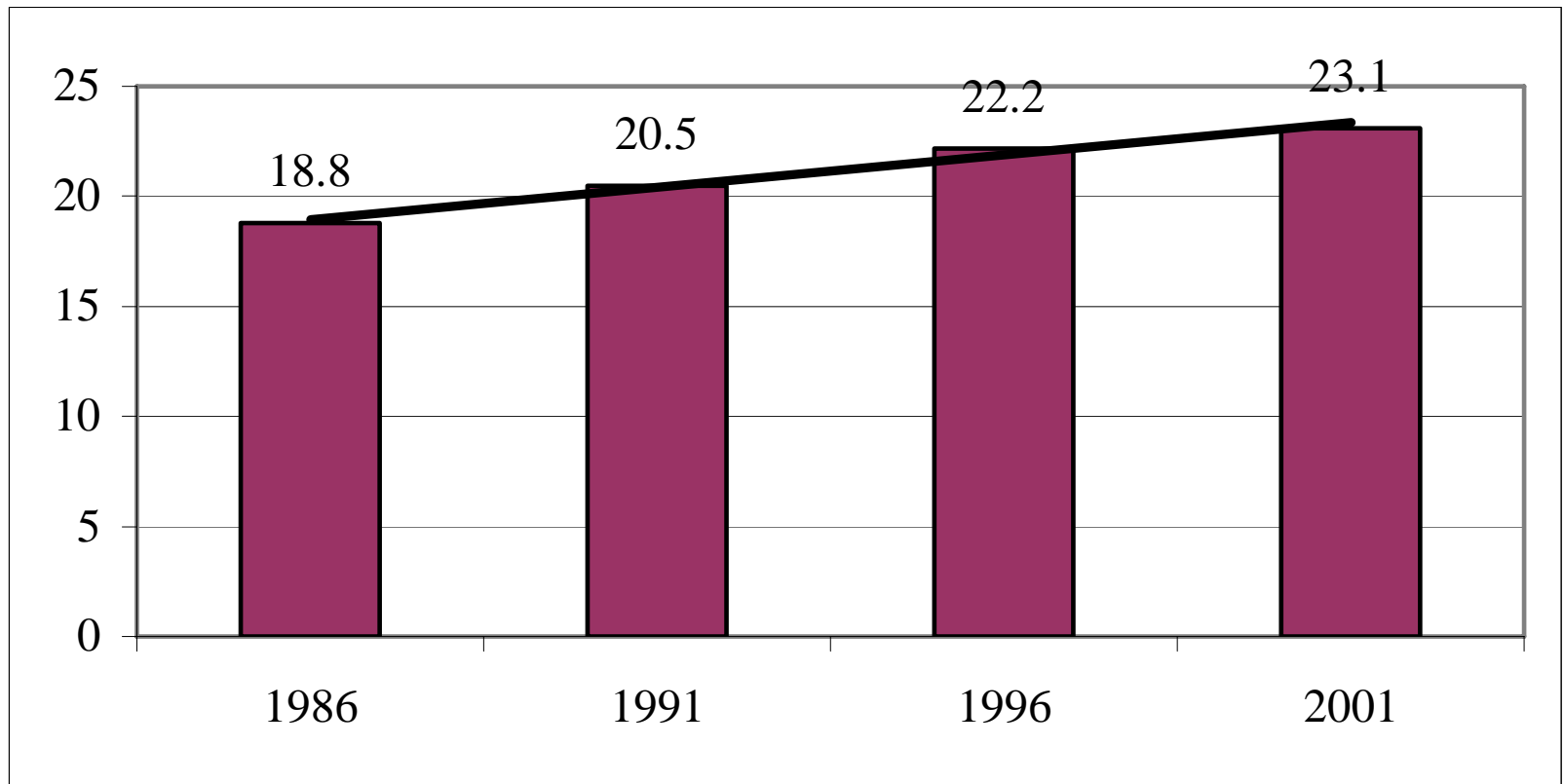
- Adaptation to these new realities & possibilities was not made
- Result - credibility and social appeal were lost
- Debt reduction became the imperative.
- Not to forget the broader context of State Bank, economic rationalism, globalisation etc
- End of Cold War threats



Some recent trends #1

- Loss of Govt housing banks eg Savings Bank, State Bank
- Loss of state developers eg SAULT, SAHT
- Loss of co-operative financial institutions
- Decline of public housing
- The State Bank & the pushbike
- Slow decline of housing success ? -

Adelaide Households Not in Home Ownership or Public Housing (% of all households)





Some trends #2

- Adelaide's urban growth boundary = urban consolidation + +
- Loss of capital funding eg CSHA
- We are currently privatising scarce public land
- Welfare housing is a downward spiral losing political and public support
- Isolating 'welfare' housing from the mainstream (which is suicide)



Recent & Current Policies

- Are they counter-productive overall ?
- Recessionary – housing boom is illusion
- Budgetary retrenchment – but is cost cutting self defeating ?
- Debt reduction – at the cost of infrastructure
- Deflationary overall – undermine economic growth
- But ironically helping to inflate housing markets



Some Evidence

- Economic growth in SA 1992-2002 only half of what needed to maintain standard of living = growing poverty and housing stress
- Shrinking population share
- Shrinking share of Australia's GDP
- Key indicators – unemployment; population flows; tourism; overseas students; poor employment growth



Bring back the Ghosts ?

- Is there a case for a new broad-based consumer, industry or reward program?
 - Consumer/social – possibly
 - Industry – unlikely
 - Reward – no



A Consumer/Social Program

- Reasons for a consumer/social program
:
- Because the gains of the past can be lost
- The force of events will demand a solution



A New Housing Crisis by 2010? (#1)

- Falling home ownership ?
- Falling social housing stock
- Growing private rental market & rising rents
- Shrinking land supply & rising cost
- General inflation of house prices and rents
- Excessive height, density and redevelopment of older areas due to urban growth boundary



A New Housing Crisis by 2010? #2

- Steeper urban price gradient
- More social segregation
- Intergenerational disparities & conflict

- Outcome -
- The ghost of market failure reappears



A New Consumer/Social Program

- Mix of land, home ownership and rental strategies
- Aim should be anti-inflationary, pressure prices, improve affordability & access
- Sustain viability of social housing
- Maintain SA's competitive edge



A New Industry Program ?

- Would a mass social housing program attract investment to SA through providing affordable housing to new workers and new industries ?
- If so, which industries, which workers ? Which investors ?
- A new working class – both blue & white collar
- We need adequate social & physical infrastructure & affordable housing, to help compete with others



New Opportunities #1

- Could we envisage a future where a low cost Western country can again compete with Asia for industry – will the wheel turn ?
- Identify and seize new opportunities
- Are we too risk-adverse in South Australia now ?



New Opportunities #2

- More US investment flows to developed world than developing world (1995 figs)
- Wage gaps are closing rapidly in some parts of developing world = less comparative advantage for them
- Investment dollars are leaving some mature Asian economies as wages rise
- China's rapid growth offers more than it threatens
- There is scope in regional production chains



Challenges #1

- These suggestions are against current wisdom which says - reduce State debt to attract investment via a better credit rating
- But historically & comparatively there is no evidence this works
- What works is to look like a going concern with growth potential



Challenges #2

- How much needs-based housing can we afford ?
- We have to get the numbers right – financial viability is the key
- But there is more than one road to viability



A Possible Housing Model

- Need to create right institutions or adapt
- Mixed role in home ownership & rental
- Rental for all comers - social mix as funds allow
- Draw in new capital but shandy loans & grants eg private; CSHA; CRA; State
- Cross-subsidisation
- Capture public land
- Government - more enabler than doer



Outcomes

- More affordable housing for whole community
- Public support - if it results in more jobs, higher standard of living, better housing outcomes
- Chance to provide more welfare outcomes within general housing policy



Conclusions

- Look beyond the welfare framework
- Play a mainstream role
- Think about the general situation and where we are going in the housing market in next 10 years
- Think about broader economic development issues & opportunities
- Respond to likely community needs & build broad public support and alliances
- Coat-tail welfare needs to the general



PERSUASION

- Who do we have to persuade ?