

Australia: Public housing being “cannibalised”

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Public housing in Australia is unlikely to survive more than another decade, according to a recent report produced for the Australian Housing and Urban Research Institute. The study, prepared by Mike Berry and Jon Hall from the Royal Melbourne Institute of Technology, found that state and federal spending cuts have forced public housing authorities to begin “cannibalising” themselves—selling off properties to finance their operations.

Over the past two decades, increased poverty and declining numbers of public housing properties have led housing authorities to implement “priority” or “urgent” tenancing policies. That is, those most disadvantaged, such as the disabled, homeless and victims of domestic violence—all dependent on welfare—are allocated vacant properties as a matter of priority. In many areas, the public housing shortage is so great that only “priority” applications are likely to succeed.

In effect, these policies have substantially transformed public housing, which once catered for large numbers of working people, into “welfare housing”. These changes have impacted on the incomes of public housing agencies and in turn compounded their problems.

With most rents set at 25 percent of household income, the revenue from welfare tenants falls far short of the “market rents” that all governments, state and federal, have instructed public housing agencies to collect. As a result, rental revenue has decreased markedly over time, leaving massive operating deficits in all states and territories.

In New South Wales, the most populated state and largest provider of public housing nationally, over 90 percent of tenants are dependent on welfare payments as their sole source of income. At the same time, ongoing operating costs, like maintenance, staff salaries and other overheads, have increased.

The report noted that NSW Housing has moved from having the second largest operating surplus in 1990-91, to having the third worst deficit. Tenants consequently face unacceptable cuts in repairs and maintenance. NSW Housing estimates it now has a maintenance backlog in excess of

\$600 million.

Under this pressure, the “cannibalising” of public housing is already well underway. The total stock of public and community housing in Australia declined to around 375,000 in 2000-01, from a peak of 380,000 dwellings in 1996-97, despite a rising population.

People working for the Department of Housing in Sydney explained to the WSWs that each divisional office across the metropolitan area has been asked to include revenue from the sale of properties in its operating budget.

In some areas there has been something of a frenzy to sell properties, with “sales strategies” being planned in an attempt to cash in on Sydney’s recent property boom before it ended.

Joint venture “partnerships” with private developers have been established in other locations. Developers are permitted to tear down existing housing estates to build new projects with far fewer public housing dwellings. The major focus of this type of “partnership” has been Minto in Sydney’s outer southwest. More recently, plans have been announced to demolish public housing projects in Elizabeth Street, Redfern, near central Sydney.

Starved of government funds, public housing area offices are being forced into a kind of zero-sum-game, forced to rely on the proceeds from privatisation to provide the most basic property maintenance. Especially for vulnerable tenants, many of whom are frail, aged or disabled, the lack of maintenance can be life-threatening. In these situations, Department of Housing officers are working under intolerable stress.

Public housing staff are being encouraged to maximise revenue by ruthlessly pursuing tenants in rental arrears and those committing “rental fraud”. When tenants apply for rental subsidies, and fail to declare or wrongly declare levels of household income, they are accused of fraud.

Strict electronic work monitoring systems have been installed across the department, which highlight staff inaction in the management of rental arrears. Officers are compelled to institute legal proceedings against tenants who

fail to pay their rent on time.

The policy shifts that have eroded public housing began under the Hawke-Keating Labor government from 1983, when market-driven models were implemented. Cash rental subsidies were paid to welfare recipients who were unable to find public housing. This allowed private landlords to profiteer, as low-income households were directed away from public or community housing options.

At the same time, funds to build new public housing were slashed. Between 1990-91 and 2000-01, real capital funding fell by 25 percent. Funds provided by the federal government dropped by 22 percent, while state and territory governments cut their contributions by 32 percent.

These cutbacks saw the number of people on public housing waiting lists dramatically increase. Today more than 200,000 people are waiting for a place in public housing.

Rising property values and housing costs have placed an intolerable burden on those excluded from public housing. Private rents in all major cities have soared. Not just welfare recipients but also working people on low income—"the working poor"—now find it impossible to buy a house and increasingly difficult to rent privately, especially in Melbourne or Sydney, the two largest state capitals.

Private investors and landlords have cashed in on the property boom by pushing up rents, leaving tens of thousands of families destitute. There has been a sharp increase in the proportion of low-income tenants suffering "housing stress"—that is, paying more than 30 percent of their income on rent. In Sydney, the "housing stress" rate grew from 67.3 percent to 80.7 percent between 1986 and 1996.

The report's authors noted: "The supply of low cost private rental housing declined by a significant 18 percent over the period 1985-1996 at a time when the private rental market grew by 34 percent. This decline in the low rent stock was widespread throughout Australia, although the loss of stock was most severe in the Sydney metropolitan region." By 1996, there was a national shortage of low cost rental accommodation of 50,000 dwellings.

To address the situation, the report recommended that governments recognise a "Community Service Obligation" (CSO) to provide public housing. It cited the example of government payments to corporatised electricity and water supply companies to subsidise pensioners' bills.

In effect, this would mean fully transforming public housing authorities, like the utilities, into profit-making enterprises. They would sell off unprofitable dwellings, purchase properties that can be tenanted for full market rent, and provide a reduced service for the most disadvantaged tenants. For those who simply could not afford the escalating market prices, government subsidies would shore up the

bottom line of the corporatised housing agencies.

One of the models advocated by the authors is New Zealand, where the Labor government of Prime Minister Helen Clark has retained the corporatised Housing New Zealand Corporation (HNZC) established by the previous National Party government. By 1999, just before Labor took office, HNZC's 63,000 tenants were being charged rents of up to 70 percent of their income, pushing many into appalling poverty.

In housing, as with other policies, the incoming Clark government continued the thrust of the drastic free-market restructuring. In 2001, after years of massive HNZC selloffs of valuable properties in and around Auckland and other cities, the Clark government agreed to pay a subsidy to tenants who satisfied an income means test, thus ensuring HNZC's profitability in the low-income sector of the market.

Berry and Hall's report concluded that corporatised authorities like HNZC could likewise produce modest operating surpluses for Australia's state governments. While their report helps to explain the current desperate public housing situation, their primary concern is that governments have wasted opportunities to make money out of the affordable housing crisis.

Under their model, the same market forces that have decimated public housing would continue to operate, assisted by more government subsidies. Public housing, a concession won by the working class in the period following World War Two, would remain in name only, providing a residual service only for chronically disadvantaged tenants.

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