

Government subsidies funded Bankstown fire complex

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The Euro Terraces apartment complex, in which an intensive fire claimed the life of young Chinese student “Connie” Zhang and seriously injured her friend Yinuo “Ginger” Jiang in the Sydney suburb of Bankstown on September 6, was built with the financial assistance of the federal and state governments.

An ongoing investigation by the WSWs into the causes and circumstances surrounding the tragedy has revealed that the federal Labor government and then state Labor government in New South Wales effectively subsidised the construction of the buildings in 2009.

The financing, which took place through the National Rental Affordability Scheme (NRAS), demonstrates once again how Australian governments, Labor and Liberal alike, have subordinated the safety of working class residents, and their right to decent, affordable housing, to the private profit interests of property developers, banks and construction companies.

No life-saving fire sprinklers were installed in Euro Terraces Building B, where the blaze occurred, or in the neighbouring Building A. It appears that both were designed to be just below the 25-metre height for which sprinklers are compulsory under the federal-state Building Code of Australia. Residents have reported numerous other safety concerns, including faulty fire alarms and poor fire protection doors, as well as an atrium roof that trapped the thick black smoke from the fire, endangering the lives of residents as they fled.

The Euro Terraces complex were financed and built, in the immediate aftermath of the 2008-09 global financial crash, with funds provided under NRAS, which was part of the federal Labor government’s stimulus package.

NRAS was one of a number of schemes designed to bail out property developers and construction companies, on the

pretext of lessening Australia’s acute housing affordability crisis. Over the past several decades, house prices and rents have soared astronomically, producing rising financial stress for working class households, and forcing many to delay or abandon altogether the purchase of a home.

When the recipients of the first round of NRAS grants, worth \$623 million, were announced in March 2009, it was no secret in the financial media that developers would be the primary beneficiaries. On March 31, 2009, the *Australian Financial Review* reported that, while community housing organisations had taken the largest share of the funding, “developers that are supplying stock to the not-for-profit groups are also cashing in on the windfall.”

The newspaper cited St George Community Housing, which won grants for 100 dwellings, and bought 50 of its units off-the-plan from the Euro Terraces project—about one-third of the total apartments in the complex. One of the project’s directors told the newspaper that the pre-sales to St George had in effect guaranteed his company work for the next six to nine months.

“Once these guys are pre-committed, it gives a bit of confidence to the banks,” he said. “In that way, the banks can actually support a new development instead of waiting for the success of the one in production.”

This benefit to developers was no aberration; it was an intended outcome of the NRAS scheme. Federal Housing Minister Tania Plibersek told the *Australian Financial Review*: “The aim is to give them a bit of certainty so they can scale up investment over time.”

When announcing another round of NRAS contracts in 2011, Treasurer Wayne Swan reiterated that the scheme “provides a welcome boost to the domestic construction industry where conditions remain soft due to the lingering impacts of the Global Financial Crisis, and the withdrawal of

stimulus.”

Working class areas like Bankstown, which has one of the highest unemployment and poverty rates in Australia, were targeted for the scheme. The aim was to give a rapid boost to developers and investors, who were promised high rates of return, underpinned by generous tax-free subsidies and tax concessions.

The NRAS fact sheets for investors, banks and financial institutions, available on its web site, state that NRAS Incentives “can provide market rates of return at levels that are strongly competitive.” These incentives, paid jointly by the federal and state governments, consist of inflation-indexed annual payments—currently \$9,981 per dwelling—paid for 10 years. In return, business and non-government organisations contract to provide rental accommodation at 20 percent below the prevailing market rents.

St George Community Housing is still receiving almost \$200 per week for each apartment that it rents out in the Euro Terraces complex. On the basis of that guaranteed income stream, it could borrow the funds from the banks to buy the units from the developer. This was in line with the NRAS fact sheets, which advertise the potential for NRAS Incentives to “help with pre-sale figures” for developers and their banks.

“NRAS is not a public housing program,” the facts sheets emphasise, “it is a tax incentive to induce more private investment in the lower price range of the residential construction market.”

Over the past 40 years successive federal and state governments have drastically wound back public housing programs, sold off public housing stock, shut down the public works departments that once built and maintained public housing, and sub-contracted out any remaining “social” and “community” housing schemes to the corporate sector.

That is the background to the Bankstown tragedy.

The NRAS fact sheets point to the huge housing affordability crisis in the working class. “NRAS tenants are typically key workers such as childcare workers, nurses, police officers, fire-fighters and paramedics,” they state, indicating the wide layers of workers who have been priced out of the housing market. “It is estimated that 1.5 million Australian households are currently eligible to rent NRAS

properties, ensuring a strong ongoing demand for NRAS properties and a large pool for investors to choose from.”

In other words, the Labor government, and its state government partners, Labor and Liberal alike, simply regard low-wage workers as a new “market” ripe for exploitation. Significantly, major banks, including Westpac, National Australia Bank, St George/Bank of Melbourne and Adelaide Bank have now moved into this market as lenders.

While NRAS has fed the profits of developers, construction companies and finance houses, the Labor government’s promises to alleviate the housing crisis have evaporated. When the government announced NRAS in 2008, its target was 50,000 homes by 2012. By last month, just 9,289 dwellings had been made available in four years—not even enough to keep pace with population growth.

In July 2010, under pressure from the corporate elite to make a sharp shift from stimulus to austerity, Julia Gillard, newly installed as prime minister, extended the time frame to 2014. Six months later, she pushed it out another two years, to 2016.

It is highly unlikely that the 50,000 target will ever be met. The Gillard government is now preparing to slash billions of dollars in public spending to meet its commitment to the financial markets to produce a budget surplus this financial year. Government revenues are plummeting because of the collapse of the country’s mining boom as the global financial crisis deepens.

The Bankstown fire disaster, and the government scheme that financed the Euro Terraces project, underscore the utter incapacity of the capitalist system, dominated by a web of private profit interests, to provide one of the most essential social rights—safe and affordable housing—to millions of working people.



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