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Critical realism and housing studies: An explanation for diverging housing solutions.

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Appendix 5 Illustrative example of private property relations

In the late 1960s and early 1970s the Commonwealth Governments Department of Urban Development and Australian Institute of Urban Studies argued that a lack of serviced land was inflating land prices and threatening affordable access to home ownership (Neutze, 1978:72). The local consideration of planning applications had also provided an opening for communities to voice their concerns about the quality of development, standard of services supplied and impact on the environment. Developers perceived delays caused by planning processes as a costly imposition, providing another reason to leave the industry (Neutze, 1978:74). Small investors taking advantage of the lack of tax on capital gains held on to vacant land and watched it rise in value (Neutze, 1978:82).

Housing costs were a pressing issue during the early 1970s, with media commentators predicting 25 and 40 percent increases in the land costs.¹⁰⁷ The incoming Whitlam Labour government was acutely aware of the price difference between land for rural and housing purposes, and the lucrative gains for owners on the urban fringe. The new Department of Urban and Regional Development (DURD) wanted to harness this unearned increment for public purposes, whilst providing sufficient land to keep housing costs down. Land costs in growth areas were to be checked by processing land sales through development corporations, urban land councils or land commissions.¹⁰⁸

DURD was dependent upon the co-operation of State governments, which was by no means uniform. Throughout the early to mid 1970s, the Victorian government frustrated and resisted the Commonwealth's program¹⁰⁹. From a pool of \$103 million of Commonwealth loan funds for land acquisition and development, relatively little was spent in Melbourne in 1974-5: \$8.7 million compared with Albury-Wadonga, \$42.3 million (Neutze, 1978:80, quoting Commonwealth Budget Paper, 1975:28). Land acquired was eventually sold for housing purposes and the loans repaid. The impact was minimal, with less than a quarter sites provide through the public sector at \$1000 to \$2000 below sales for lots in the private sector.

The Victorian government in 1975, three years after a federal request by the Prime Minister, tardily established its own Urban Land Council. Contrary to the Commonwealth objectives, Victoria channelled profits of land sales to service authorities in order to encourage the further expansion of the private sectors operations in the land market¹¹⁰. The Housing Commission acted land purchaser rather than land developer. Thus began one of the most notorious land scandals in Victoria's history. The Minister for Housing inflated the value of specific areas on the urban fringe by referring to their development potential, regardless of current planning constraints, and suggesting that the Government would soon purchase large tracts of raw land for satellite cities (Kilmartin, 1978:166). The role of the Minister and the Commission was

¹⁰⁷The Age, 21 June 1972 and The Herald, 30 June 1972, referred to in Kilmartin, L (1978)

¹⁰⁸ Neutze describes this process briefly as follows: "Raw land is purchased. Land for housing is either developed and sold directly to individuals or through builders, or released as raw land through developers, on freehold title which limits its use to single family housing." (Neutze, 1978:79)

¹⁰⁹ "The Committee believes that there are serious implications for the private development industry in the rapid expansion on activities of the public sector, and re-affirms its belief that over a period, the public sector should not supply more than 20% of total requirements." Report of the committee of Inquiry (1975) Presented to the Premier of Victoria, Recommendation 19, p.8

¹¹⁰The Australian Newspaper, 9 January 1976 quoted in Harrison, 1978:153

later scrutinized by a Board of Inquiry¹¹¹ which drew attention to the close financial relationship between the development industry and the ruling conservative Liberal Party. The resulting Gowans report, released in March 1978, found that the Commission:

paid too much for it what got, so that vendors or their intermediaries achieved rewards in excess of what the community thought was fair, and failed to fulfil the hopes of early land and housing relief which optimistic forecasts had led people to expect (Gowans report, 1978:13)

Later a Royal Commission examined the methods of purchase and valuation, to ascertain whether any corruption took place and found the Ministry's actions inept, inefficient, ad-hoc and unplanned with the Minister unable to discharge satisfactory control over the land purchasing function.¹¹²

The Victorian land deals of the 1970s completely eroded public confidence in the role of government in the land markets and justified the cessation of the development of large housing estates. The renamed Urban Land Authority (ULA) was originally established in 1979 to dispose of remaining government owned land, including land purchased by the Ministry of Housing. It dispersed the Commission's Pakenham land across a variety of uses. During the course of the 1980s, the ULA struggled to recoup the costs incurred by the Commission when it first purchased land in Sunbury and was unable to afford the cost of housing low-income families on the public housing waiting list.

Subsequent Victorian governments have pursued a modest program of purchasing existing individual houses and the redevelopment of existing estates - increasingly with private sector partners.

¹¹¹Gowans Report (1978) Report of the Board of Inquiry into Certain Land Purchases by the Housing Commission and Questions Arising There from, Government Printer, Melbourne

¹¹²Frost Report (1981) Report on the Royal Commission into Certain Housing Commission Land Purchases and Other Matters, Government Printer, Melbourne in Kilmartin, 1988:177