THE HOUSING SITUATION AND HOUSING POLICY IN JERSEY

by

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Report Prepared for States of Jersey
Housing Committee

September 1990

C O N T E N T S

INTRODUCTION

This report briefly -

(a) Describes the housing position in Jersey.

(b) Analyses the nature of the housing problem.

(c) Analyses current housing policy instruments.

(d) Raises various policy issues and discusses modifications to policy instruments.

The housing problems in Jersey are similar to those in the United Kingdom and many other parts of the world; that Jersey is a small island and attracts immigration merely accentuates rather than alters the nature of the problems. The basic problems are supply failing to keep up with demand, affordability in respect of lower income people and the distribution of subsidies.

Jersey has made more use of administrative controls than almost any other non-communist country. The report considers in particular whether the particular nature of the housing situation in Jersey justifies this position.

It would be presumptuous for such a report to conclude with recommendations. Rather, the objective has been to use a wide context to provide the necessary information and to analyse alternative policy instruments so as to help the Island authorities in formulating policy.

The report has been prepared at the request of the States of Jersey Housing Committee as an input into the ongoing review of housing policy. The report was commissioned on 29 May 1990. The author, a Jerseyman who maintains close links with the Island, has prepared the report on the basis of two short visits to the Island and consideration of available documentation. It is therefore a brief overview, not an in-depth study.

The report makes no attempt to cover the complex issues of immigration controls and direct controls on those allowed to occupy housing; while these are relevant to housing they cannot be analysed other than on a detailed local basis.

The author gratefully acknowledges the assistance of Colin Powell (States Economic Adviser) and Mick Pinel (Housing Officer) and his staff in providing information for the study and in commenting on drafts of this report.

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September 1990

C H A P T E R 1

THE HOUSING SITUATION

1.1 Compared with the United Kingdom Jersey has a low proportion of houses in the public rented sector, a high proportion of dwellings rented privately and a relatively low proportion of owner-occupation. House prices are not significantly different from those in the South East of England. The mortgage market is unusual in that it is dominated by the States loan scheme which offers preferential interest rates.

The Housing Stock

1.2 Table 1 shows a breakdown of households by housing tenure for Jersey and, for comparison, for the UK.

Table 1 Households by Housing Tenure, Jersey and UK

Tenure	Jersey 1989		UK 1987
	No	%	%
Owner-occupier			
States loan	3,008	9.7	(39
Other mortgaged	(12,564	40.6	(
Not mortgaged	(		24
Total	15,572	50.3	63
Public sector rented	4,037	13.1	28
Private rented unfurnished	6,145	19.8	4
Private rented furnished	2,626	8.5	2
Service tenancy unfurnished	805	2.6	(2
Service tenancy furnished	1,054	3.4	(
Other tenancy unfurnished	424	1.4	-
Other tenancy furnished	304	1.0	-
Total	30,967	100.0	100

Sources: *Report of the Census for 1989*, States of Jersey, 1990, Table 9A and *General Household Survey 1987*, HMSO, 1989, Table 3.1.

1.3 The table shows that Jersey has a significantly lower owner-occupation rate than the United Kingdom, a much lower proportion of public sector rented dwellings and a significantly higher proportion of privately rented dwellings. However it is not reasonable to compare the whole of the United Kingdom, or for that matter the whole of any other country, with a small island like Jersey. The general pattern is for owner-occupation to be lowest in areas of high density population and similarly for private renting to be high in urban areas. An island with a significant tourist industry is also inevitably going to have a significant proportion of private rented dwellings. There is, therefore, nothing in the Jersey figures which is startlingly out of the ordinary. However, trends over time in Jersey have been different from those in the United Kingdom. In the ten years to 1989 owner-occupation in Britain increased by 11 percentage points while the rate of increase in Jersey has been no more than half that amount. Public sector renting has declined significantly in Britain (from 32% of the total in 1979 to 25% in 1989) as a result of sales of local authority dwellings, while the public sector actually increased in Jersey during the 1980s.

1.4 There are not the statistics to enable a detailed comparison between housing conditions in Britain and in Jersey. However it would seem difficult to argue with the general perception that housing conditions in Jersey are good. There has been an improvement in conditions over time. The number of persons per room declined steadily from 0.66 in 1951 to 0.49 in 1986 but then increased fairly sharply to 0.52 in 1989. Similarly, overcrowding, measured as the percentage of households having 1.5 persons or more to a room, fell steadily until 1986 but subsequently has increased significantly. These trends are shown in Table 2.

Table 2 Persons Per Room and Overcrowding, Jersey, 1931-89

Year	Average No of Persons Per Room	Percentage of Households Having More Than 1.5 Persons Per Room
1931	0.70	11.7
1951	0.66	5.9
1961	0.59	4.5
1971	0.57	3.5
1976	0.54	3.2
1981	0.51	2.5
1986	0.49	2.4
1989	0.52	3.4

Source: *Report of the Census for 1989*, States of Jersey, 1990, Table 8A.

It may be that the recent trends are explained partly by an increase of itinerant and immigrant workers in lodging houses, rather than a general deterioration in space standards. However, it is understood that the major factor explaining the apparent deterioration in the position is the change in the definition of a "household". It follows that no significance should be attached to the differences between the 1986 and 1989 figures.

House Prices

1.5 There is a perception that house prices in Jersey are higher than in the United Kingdom and that they have been rising more rapidly. This point was examined in *Housing - Price Control and Buildings Loan Scheme: Report*, presented to the States on 11 October 1988 by the Housing Committee. This showed that in the period from 1970 to 1988 the rate of increase of house prices in Jersey was lower than that prevailing throughout Southern England (an annual rate after adjusting for inflation of 3.1% in Jersey as against 3.2% in Greater London, 3.4% in the South East and 3.3% in the South West). A cursory examination of property advertisements in the columns of the *Jersey Evening Post* and a comparison with figures for a typical suburb of London would show prices fairly similar at the bottom of the range although perhaps a fair bit higher at the top end of the range, this no doubt reflecting the significant proportion of very wealthy people in Jersey.

Housing Finance

1.6 The housing finance market has to be considered in the context of the housing market generally. This is because in Jersey the States loan scheme is probably the single most important policy instrument and has major market and income distributional effects. Table 1 showed that 9.7% of all households in Jersey in 1989 had a States loan; in other words nearly 20% of all owner-occupiers had this form of finance. In Britain and in most other industrialised countries there is no equivalent. In comparative terms the States of Jersey loan scheme is twice as large in relation to the population as is the Halifax Building Society mortgage loan portfolio in the United Kingdom.

1.7 In the United Kingdom building societies account for 60% of the outstanding stock of mortgages and banks account for about 30%, of which the Abbey National, formerly a building society, accounts for 9%. There are no exact figures for Jersey. Data from the household expenditure survey carried out in 1988/89 showed that 63% of all owner-occupied houses are mortgaged. Combining this with the census data suggests that 30% of all mortgaged houses are under the States loan scheme. However, the scheme accounts for a significantly lower proportion of balances outstanding, its £40 million portfolio representing about 20% of the total. The largest single private lender in Jersey is probably the TSB Channel Islands Ltd, with an estimated £45 million of outstanding loans. The other large lenders for which figures have been published are NatWest Finance (£32 million), Midland Bank (£27 million) and Royal Bank of Scotland (£20 million). [The figures for the banks are taken from a table published in the *Jersey Evening Post*.]

1.8 The States loan scheme is significant not simply because the government is providing the loans but rather because of the heavily subsidised nature of those loans. The scheme and its implications are described in detail in Chapter 3.

CHAPTER 2

HOUSING PROBLEMS

2.1 In Jersey, as in most other parts of the industrialised world, the main housing problems are the shortage of supply in relation to demand and the affordability of housing, particularly for low income groups. The problems in Jersey are exacerbated by the high rate of net immigration and the relatively small size of the Island.

Supply/Demand Balance

2.2 Unlike most western industrialised countries, Jersey has shown a steady rate of increase of population. The major trends are shown in Table 3.

Table 3 Population Increase, Jersey, 1951-1989

Mid-Year	Population	Inter-Censal Increase % Per Year
1951	57,310	
1961	59,489	0.98
1971	69,329	1.65
1981	72,970	0.52
1986	76,543	0.98
1989	78,074	0.67

Source: *Report of the Census for 1989*, States of Jersey, 1990, Table 1.

2.3 The table shows that between 1981 and 1986 the population increased by an average of 0.98% a year and from 1986 to 1989 it increased by 0.67% a year. By contrast, the population of the United Kingdom and of many other western countries has been virtually stagnant since 1981. Furthermore, the number of households has increased more rapidly than the population. For example, between 1986 and 1989 the population of Jersey increased by 3.25% while the number of households, corrected for the change in definition, increased by an estimated 3.7%.

2.4 Obviously the supply of housing needs to increase to match the increase in demand. For any community to increase its housing stock at the rate of over 1% a year presents problems. To the extent that demand runs ahead of supply then the result must be pressure on prices contributing to the affordability problem discussed subsequently. The policy issue of increasing the stock is considered in detail in Chapter 4.

2.5 The problem of the supply/demand balance is not so much a housing issue as a planning issue. It is in fact feasible in an island like Jersey to increase the housing stock by more than 1% a year. This could be achieved by high density developments (high rise or low rise), particularly in St Helier, or by zoning more land for housing in other parts of the Island. The increased supply of housing in this way would help bring down the average price of housing. However, development is always unpopular with those people who will be adversely affected by it. There is throughout the western world a presumption against development and at the very least the costs involved in obtaining permission for new development add significantly to the cost of new housing. It is unrealistic to expect the planning system to respond solely to housing needs; it has to be accepted in the context of the housing problem that there will be strong pressures against increasing the supply of housing to match the higher demand.

Affordability

2.6 The affordability problem in housing can be very simply stated. If it can be assumed that, say, the cheapest housing unit is £60,000 then at current market interest rates a £55,000 loan would cost £7,500 a year to service after tax relief. It is unrealistic to expect someone with an income of under £15,000 a year to meet such payments, and perhaps £20,000 a year is more realistic. Supporting a housing unit of a reasonable size to bring up two children requires an income substantially in excess of £20,000. A high proportion of households in the Island do not have such an income and therefore can be housed only with the assistance of government subsidies or measures designed to bring down the cost of housing directly. It is the affordability problem which lies behind both the States loan scheme with its heavy subsidies and States rental housing.

2.7 The affordability problem in Jersey is no different from that in the United Kingdom or any other western industrialised country. The policy instruments used to deal with it are considered in detail in the next chapter. At this stage it is sufficient to note that in Jersey there is less reliance on public sector housing than in the United Kingdom but a greater reliance on subsidised loans to enable people to become home-owners, with the obvious advantage that the public sector does not have to maintain the rental dwellings.

Equity

2.8 Equity as such is not a housing problem but it is generally accepted that solving housing problems should be done in a manner which is, as far as possible, equitable between different groups of people. This means, for example, that lower income people should be treated similarly regardless of which housing sector they are in, and within the sectors there should not be huge differences between the treatment of one family with a particular housing position and another family in otherwise identical circumstances but in a different housing position. The question of equity hinges around the distribution of subsidies. A subsidy system that is seen to help people acquire housing who could not afford to do so with their own resources and which does not give large subsidies to high income people is one that will be generally supported. On the other hand, a subsidy system that is arbitrary in the distribution of subsidies and which gives the opportunity for high income people to benefit substantially at the expense of tax payers in general is one that will not find favour. The equity problem and the affordability problem are closely tied together but they are not generally analysed together. There are policy instruments that aim to deal with the affordability problem which either pay no regard to equity or, in some cases, in their impact are inequitable.

CHAPTER 3

POLICY INSTRUMENTS

3.1 Housing policy in Jersey is directed primarily towards the affordability issue. Price controls are applied both on owner-occupied housing and rental housing and subsidies are given to holders of States loans, occupiers of States rental property and, more recently, occupiers of private rental property.

States Housing and Subsidies

3.2 Table 1 showed that 4,037 households (13.1% of all households) lived in States and Parish rental housing at the time of the 1989 census (for convenience the term "States housing" is used in this paper to include both States and Parish rental housing). The States has been building about 150 States houses a year, and the proportion of households housed by the States has increased slightly, from 12.5% in 1981. This represents a marked contrast with the position in the United Kingdom and other countries where there has been a concerted attempt to sell publicly owned housing to sitting tenants and to reduce the level of new construction. It should be noted that recently built States housing has largely been one bedroom units for occupation by the elderly.

3.3 Table 4 shows an overview of the characteristics of households in States housing.

Table 4 States Housing, Characteristics of Households, 1989

Characteristic	States Tenants	All Households
No of persons per room	0.71	0.52
Households under 30	7.9%	14.8%
Households over 65	35.1%	23.2%
Divorced	12.3%	7.9%
Widowed	22.6%	13.0%

Source: *Report of the Census for 1989*, States of Jersey, 1990, Tables 9A and 9B.

It will be seen that there is a significantly higher number of persons per room in States housing compared with all households, a higher than average proportion of widowed and divorced people, and a significantly higher average age.

3.4 There is a dual system for setting rents on States houses. On dwellings built or significantly improved since 1974 (accounting for over 60% of all States dwellings in 1990) fair rents are set which reflect the sort of rents tenants would have to pay for similar accommodation in the private sector. They reflect the size and standard of accommodation together with the relative amenities of the area in which the accommodation is situated. Rents are increased annually in the context of a triennial review. For example, from 1 April 1989 average fair rents were increased from 21%, being the third phase of the triennial review carried out in November 1986. As a result of the review carried out in November 1989 the increase from 1 April 1990 varied from 2% to 20%. The remaining States properties carry a maximum rent. These are historic in origin and are significantly below fair rents (averaging perhaps two-thirds of fair rents for comparable dwellings). Maximum rents are increased each year by the Jersey cost of living index, plus a flat £2 a week. The formula has resulted in increases of 13-14% for each of the years starting 1 April 1989 and 1 April 1990. This formula was introduced in 1984 with the intention of ensuring that fair rents would eventually be charged on all properties. However, the formula has not worked, largely because fair rents have been increasing rapidly. Indeed, without any increase in fair rents it would be 1995 before all maximum rents reached fair rent levels.

3.5 In addition to the subsidies represented by the maximum rent system, States' tenants are also entitled to rent abatements. Broadly speaking, the rent abatement scheme provides for individual rent payments to be based upon income received in the previous tax year on the basis on one-fifth of the combined gross income of husband and wife, less the first £2,600 of income earned by the wife, and then adjusted for other factors such as children below school age, dependent relatives and various social security and other benefits. For very low income people rents are assessed at one-sixth rather than one-fifth of gross income with a sliding scale until the one-fifth proportion is reached at an income of £9,464 a year for married couples. As at April 1990, 80% of all States tenants were entitled to some abatement.

3.6 In summary, all States' tenants occupying properties with fair rents higher than 20% of their gross incomes (down to 16.67% for very low income people) receive a subsidy to bring their rental income down to the 20% (or lower) proportion. In addition, all other tenants paying the full maximum rent also receive a subsidy through the rent being held at a subsidised level. The figures are summarised in Table 5 below.

Table 5 States Housing, Rent Regime, 1 April 1989

	No	%
Tenants paying full fair rent	326	8
Tenants charged fair rent but receiving subsidy	1,877	45
Tenants paying full maximum rent	900	22
Tenants charged maximum rent but receiving subsidy	1,020	25
All tenants	4,123	100

Source: Housing Department.
Note: By April 1990 only 566 tenants were subject to a maximum rent. This has been achieved as properties have been transferred to the fair rent category as improvements have been carried out. Of the 566 tenants it is estimated that 223 could afford to pay the full fair rent.

3.7 Table 6 shows estimated aggregated figures for rental income and subsidies.

Table 6 States Housing Rental Income and Subsidies as at 1 April 1989

	Per Dwelling Per Week £	Total, Annual Rate £m
Estimated gross rental income at fair rent levels	55	11.8
Subsidy on maximum rental units	9	2.0
Rent abatement subsidy	19	4.1
Rent charged	27	5.7

Note: The effect of the reduced number of tenants subject to a maximum rent is to reduce the subsidy on maximum rental units but to increase by a smaller amount the rent abatement subsidy.

3.8 It should be stressed that this table is somewhat speculative. Also, the subsidy on maximum rental units, although expressed as equal to £9 per dwelling per week, is more properly put at being worth £17 per dwelling subject to the maximum rent per week. However, the table is sufficient for its purpose in showing that in April 1989 over half of the costs of States housing is provided by subsidies, two-thirds through an income related subsidy and the remaining one-third through dwellings subject to maximum rents. As the number of properties subject to a maximum rent is reduced so the proportion of the subsidy that is income related increases.

Tax Relief on Loan Interest

3.9 In Jersey, as in many other countries, interest on loans taken out to finance house purchase is deductable from income for tax purposes. This has probably never been seen as a housing policy instrument; however, the effect, given a 20% tax rate, is to reduce interest payments by 20% for those liable to tax. With interest rates at 15% this represents a significant loss of tax revenue. However the position is considerably more complicated -

(a) There are good grounds for arguing that tax relief on interest paid (and in Jersey all interest paid qualifies for tax relief, not just interest on house purchase loans) is the direct counterpart to tax paid on interest received and therefore is not a subsidy; in this case the absence of a tax on notional rental income (the amount an occupier would need to pay to himself as landlord to occupy the property) would be the subsidy. The two different approaches yield broadly similar amounts of total subsidy but very different distributions. If tax relief is the subsidy then those with large mortgages are deemed to be subsidised most; if lack of a tax on notional rental income is the subsidy those with expensive houses are subsidised most. This is a very academic debate on which there is extensive literature.

(b) The subsidisation of States housing and the States loan scheme leads to shortages; a more general subsidy like tax relief on mortgage interest (or the absence of a tax on imputed rental income) is built into the system and is reflected in a higher level of prices. The "benefit" of this subsidy is illusory; if everyone in a market is subsidised then effectively no one is subsidised. If tax relief was abolished it is likely that house prices would, over a period of time, fall in relation to what they would otherwise have been.

States Loan Scheme

3.10 The States loan scheme merits particular attention as it has few parallels in other industrialised countries and it involves substantial subsidies. The basic features of the scheme are -

(a) Loans are available for the purchase, construction or conversion of a house, but not a flat.

(b) Loans are available to those qualified to purchase a house in Jersey provided they have not previously owned a house in the Island.

(c) The maximum value of the property on which loans are made is £65,000 and the maximum loan is £60,000.

(d) The basic rate of interest is a fixed 10%. However this can be reduced to as low as 3% to ensure that repayments do not exceed one-quarter of the borrower's income during the preceding tax year. Conversely, a loan cannot be more than the amount which would yield a 25% of income repayment at a 3% interest rate.

3.11 Because the rate of interest on loans is fixed while the loans are funded at a variable rate according to money market rates of interest, the subsidy level varies according to the rate of interest and also obviously according to the income of the borrowers. The following table shows the approximate subsidy levels for alternative market interest rates and income levels.

Table 7 States Loan Scheme, Subsidy Levels

Subsidy on £60,000 Loan	Market Interest Rates		
	10%	12%	15%
	£	£	£
Income of £50,000 a year	-	1,200	3,000
Income of £40,000 a year	-	1,200	3,000
Income of £30,000 a year	-	1,200	3,000
Income of £20,000 a year	1,620	2,820	4,620
Income of £15,000 a year	2,870	4,070	5,870

Note: The figures in the 10% column are equal to the difference between the annual payments on a 25 year annuity loan at 10% (£6,620) and 25% of the income levels shown subject to a minimum annual repayment, based on a 3% mortgage rate, of £3,380. The figures in the second and third columns are equal to those in the first column plus £1,200 (2% of £60,000) and £3,000 (5% of £60,000) respectively.

3.12 The table is subject to a number of qualifications. In particular it takes no account of the fact that loan interest qualifies for tax relief and on this basis alone it is reasonable to reduce all the subsidy figures resulting from the States loan scheme by 20%. At first sight, the table shows what seems to be a remarkable picture. When the market interest rate is 15%, as it currently is, then the minimum subsidy on a £60,000 loan is £3,000 a year and this is available to people with incomes of £50,000 a year or more. The maximum subsidy, to someone earning £13,250 a year or less, is £6,240 a year. (At incomes below that level the maximum subsidy falls as borrowers qualify only for loans less than the £60,000 maximum.) The subsidy system is therefore capable of generating subsidies that can easily be 30% or more of a household's income.

3.13 Given this position, it is not surprising that the States dwelling house loan fund ran at a loss in 1989, recording a deficit of £56,412. If the fund was required to have capital backing (which would be required for a commercial lending institution) then just to maintain the present level of outstanding loans would have required a significant profit. Higher interest rates in 1990 are likely to add substantially to the cost, and a deficit on the fund in excess of £250,000 can be expected. This is on the basis of the actual amount charged to the dwelling houses loan fund which is based on advances from the capital fund set on the basis of one month interest rates. It appears that the average amount charged to the fund in 1989 was 13.46%. The actual increase in the interest rate cost for 1990 could be substantially more than 1%, perhaps as high as 2%.

3.14 It is clear that the States loan scheme is extremely generous. However, there is a rationing device in that there are nowhere near enough houses available to meet demand. In May 1990 there were 550 families on the waiting list for a States loan property and a further 300 on the waiting list for single person units, most probably intending to transfer to the married list when (or if) they married. Allocations are purely on a "first come, first served" basis. In order to qualify for a States loan people may have to spend years on a waiting list and then are given only a limited choice as to the properties that they are able to acquire. Presumably most of the applicants are currently occupying privately rented dwellings. Only 35 loans were given in 1989. Table 8 shows the sharp decline in the number of loans given under the scheme in recent years.

Table 8 House Loan Scheme: Loans Provided 1979-1988

Year	No of Loans	Value of New Loans £	Additional Loans to Existing Borrowers £	Total £
1979	136	2,249,845	26,950	2,276,825
1980	154	3,168,670	40,300	3,208,970
1981	238	6,017,370	17,480	6,034,850
1982	423	12,920,520	32,550	12,953,070
1983	257	8,873,000	13,750	8,886,750
1984	149	4,705,700	16,550	4,722,250
1985	181	6,263,235	8,300	6,271,535
1986	163	5,253,368	3,000	5,256,368
1987	68	3,065,000	68,000	3,133,000
1988	36	2,602,600	24,440	2,627,040
1989	35			

Source: Housing Department.

3.15 However, it is important to note that the number of new States loans is likely to increase sharply over the next few years. Over the past few years very little land has received planning permission for States or States loan houses. More recently the situation has changed and a significant number of States loan houses are now in the pipeline although their cost will be substantially above the current £65,000 ceiling.

Planning Gain

3.16 The previous two sections on States housing and the States loan scheme dealt only with income and expenditure and have ignored any subsidy to capital costs. Where States housing or States loan scheme houses are built on land acquired at a full market value, that is the market value applicable to housing, then there would be no additional capital subsidy. However, in Jersey this is not the case and as a result there is a very substantial additional element of subsidy towards occupiers of States loan houses in particular and States rental houses to a lesser extent.

3.17 Jersey has a particular category of planning application that does not apply in the United Kingdom or in most other countries, that is land can receive planning permission for States loan or States rental housing only. In all but a very small number of cases such land would be unlikely to receive planning permission for any use other than its existing use, which in most cases is agriculture. Currently, land for States housing can be purchased from farmers at about £14,000 a plot (unserviced), which makes the land cost no more than a fifth of the total cost of the housing whereas in the United Kingdom 40% is more common. However, the real value of the land with the housing is considerably more than £14,000 per plot and this explains why States loan houses can be sold at a price sufficient to cover their cost but can immediately be resold at a profit of perhaps £20,000.

3.18 This is an interesting, although one suspects largely accidental, treatment of the difficult question of planning gain which policymakers have grappled with throughout the world. When planning permission is given for residential or commercial development then the value of the land in question is likely to multiply several times. This is generally seen as being inequitable, giving a substantial windfall gain to the landowner. Attempts have been made to tax this windfall gain but invariably they have the effect of keeping land off the market or they are circumvented in other ways. What Jersey is doing is allowing farmers to take a portion of the planning gain when they sell land but the whole of the rest of the planning gain is given to those purchasing States houses for the first time.

3.19 There is then naturally concern if those obtaining States housing immediately sell that housing at a profit. However, this concern is often misplaced. Those purchasing States loan housing receive the capital subsidy the moment they move into the house and it seems to be entirely a matter for them as to whether they take that capital subsidy immediately or rather live in the house over a number of years and enjoy it for that length of time. Naturally policies have been devised to try and prevent those purchasing States loan housing from realising their capital subsidy, at least in the short term. Price controls are one method, although to the extent that they are successful, all they do is transfer the planning gain from one house purchaser to another. Restricting the sale of States loan houses to first-time buyers is another policy which has recently been receiving consideration and, while this has some merit, it will pose considerable problems in defining what is a first-time buyer and it will also lead to some inequity. A young couple, for example, may have purchased a very modest house in their early twenties because they were desperate for somewhere to live and, as a result of this, may then find that they are thereafter excluded not only from buying new States loan houses but from buying States loan houses being resold for the first time.

3.20 Related to this point is the question of the States contributing to abnormal costs so as to help keep the price of States loan housing within the price limit. The principle here is quite simple. Not all land, when zoned for residential housing, has a positive value. If the land is on a particularly difficult site, for example, the slope, drainage problems, soil or lack of services, then it may require considerable expenditure to put the site into a form suitable for house building. In some cases land can have a negative value and it is appropriate for the purchaser to be paid to put the land into a suitable condition for development. This is done in the United Kingdom through, for example, a derelict land grant. There is nothing wrong in principle with the States meeting abnormal building costs and the question is whether the policy is being pursued in an efficient manner in practice.

Rent Controls and Subsidies

3.21 Like other states, Jersey attempts to control the rent of private rental dwellings. It is open to any individual (other than States tenants, and subject to minor exceptions) to seek to have his rent reduced by the Rent Control Tribunal, and the Tribunal has often rewarded significant reductions in rents. It can be argued that the purpose of rent control is to reduce the rent below that which would apply in a free market (otherwise the control is pointless). Alternatively, it can be argued that rent controls are designed to overcome an artificial shortage and therefore to fix rents at the level that would apply if supply and demand were in balance. In practice, both forces probably exist and it is difficult to disentangle their effects.

3.22 From April 1990, a rent rebate scheme for private tenants was introduced. This is available to private tenants of unfurnished accommodation with savings and investments of not more than £10,000 (no such limit applies for abatements of rents of States rental housing). Tenants cannot qualify if they have a gross household income in excess of £230 per week. For the lowest income people rebates are equal to the difference between the actual rent paid (subject to a maximum related to States fair rents) and one-sixth of household income and then on an increasing scale such that at incomes of £230 a week the rebate is equal to the difference between one-half of the income and rent paid. The maximum subsidy payable under the scheme is £42 a week (£2,180 a year) which applies at a gross weekly income of £140 a week (£7,280 a year).

Price Controls

3.23 Almost uniquely among western industrialised countries, Jersey has a system for controlling the price of houses. The system was first introduced in 1949 and currently is operated under 1970 Regulations. When an application to sell a residential property is received, officers of the Housing Department determine whether the price agreed is allowable in relation to appropriate site values applied by the Committee and the cost of construction of the property based on a replacement formula. Where the selling price is considered to be higher than justified, a replacement value is sought from the Jersey Panel of Quantity Surveyors. Appeals against the decision are permitted. Between 1975 and 1989 the proportion of house sales where prices were altered as a result of the Regulations varied from a low of

0.6% in 1985 to a high of 9.1% in 1989, with a sharp upward trend in the past few years. Average decreases imposed have varied between 10% and 17%, with maximum decreases being in excess of 50%.

C H A P T E R   4

POLICY ISSUES

4.1 Leaving aside the much wider question of immigration controls, current housing policy in Jersey raises three major issues -

(a) The distributional consequences of subsidy policy.

(b) The effectiveness of policy designed to improve the demand/supply balance.

(c) The extent of State involvement in housing.

Distribution and Impact of Subsidies

4.2 The previous chapter briefly described the various policy instruments. It is clear from these that subsidies are involved in respect of the States loan scheme, States housing and, from recently, private unfurnished property. The purpose of subsidies is to help people occupy housing that otherwise they would not be able to afford. It follows that subsidies should predominantly be directed to low income people and should be income-based. It is clear that this is not the case in respect of all housing subsidies in Jersey. Table 9 shows the subsidy position of the various tenures in 1989.

Table 9 Subsidy Position of Housing Tenures, 1989

Tenure	No of Households	Percentage of Households	Subsidy
Owner-occupiers without States loan	12,564	40.6	None
Owner-occupiers with States loan	3,008	9.7	Subsidy of difference between market interest rate and rate paid of 3-10%
States tenants paying full fair rent	326	1.1	None
States tenants paying maximum rent without subsidy	900	2.9	Subsidy caused by rents being held artificially low
States tenants with abated rent	2,897	9.4	Income related subsidy
Private rented unfurnished tenants	6,145	19.8	Income related subsidy
Other tenants	5,213	16.8	None
Total	30,967	100.0	

Source: Tables 1 and 5.

Notes: 1. It is arguable that all owner-occupiers with mortgages benefit from tax relief on loan interest. This point is discussed in paragraphs 3.9 and 3.10.

2. The subtotals do not add up to the total because the figures for the categories of States tenants have been taken from Table 5 which has a total number of States tenants of 4,037, whereas at the Census there were 4,123. However, this discrepancy is not significant.

4.3 The table shows that in 1989 29% of households received an income related subsidy, 12% received a subsidy not wholly dependent on income and 59% received no subsidy at all. The position is shown more clearly in Table 10 which shows subsidy levels for households earning £8,000, £14,000 and £20,000 a year.

Table 10 Subsidies for Certain Income Levels

Household Income, £8,000 a year	
Tenure	**Subsidy**
Owner-occupier/States loan	Up to £3,640 a year
Owner-occupier/private loan	Zero
States tenant	Up to £3,000 a year
Private tenant/unfurnished	Up to £1,200 a year
Private tenant/furnished	Zero
Household Income, £14,000 a year	
Tenure	**Subsidy**
Owner-occupier/States loan	Up to £6,240 a year
Owner-occupier/private loan	Zero
States tenant	Up to £2,500 a year
Private tenant/unfurnished	Zero
Private tenant/furnished	Zero
Household Income, £20,000 a year	
Tenure	**Subsidy**
Owner-occupation/States loan	Up to £4,620 a year
Owner-occupation/private loan	Zero
States tenant/maximum rent	Up to £2,500 a year
All other tenants	Zero

Notes: 1. The figures for owner-occupiers with States loans assume a market interest rate of 15%. The subsidy of £6,240 a year would be received on the maximum £60,000 loan.

2. The figures for States tenants should be regarded as approximate only and show maximum subsidies. For an average rent the figures would be about £2,000 on a £8,000 a year income, £840 on a £14,000 a year income and no subsidy on a £20,000 a year income. The maximum figures would apply only where a maximum rent was payable.

3. Tax relief on mortgage interest is not included in the figures. If it was the owner-occupiers with private loans would enjoy a subsidy that would be a maximum of about £700 at £8,000 a year income, £1,300 at £14,000 a year income and £1,800 at £20,000 a year income. If it is not included there is justification in reducing the figures for owner-occupiers with States loans by 20%

4. The effects of the planning gain subsidy on States loan housing are not included; this subsidy is probably worth about £3,000 a year.

4.4 A more meaningful picture would be obtained if it was known how many people in particular income groups were in the various tenures but this data is not available. However, the table is sufficient to show what seems to be a strange position. With a household income of £14,000 a year, those households with States loans can receive a subsidy of up to £6,240 a year; a States tenant (on a maximum rent) can receive a subsidy of up to £2,500 a year; while others, in particular those in the furnished private sector, receive no subsidy. With a household income of £20,000 a year only two groups of people receive subsidies, that is owner-occupiers with States loans and States tenants subject to a maximum rent. Given the known characteristics of States tenants illustrated in Table 4, it is in fact a reasonable supposition that most of the subsidies in this sector go, in general, to lower income groups. However, the same cannot be said in respect of those with States loans. Almost certainly the main beneficiaries of this subsidy are in the middle income groups.

4.5 At various times there have been attempts to rationalise this quite arbitrary distribution of subsidies. These rationalisations will now be considered. With respect to the States loan scheme, the best rationalisation was in paragraph 37 of *Housing - Price Control and Building Loans Scheme: Report* presented to the States on 11 October 1988 by the Housing Committee -

> "...[The States loan scheme] applies to all persons who meet the minimum requirements, and hence is for all practical purposes non-discriminatory. Withdrawing the scheme would effectively lead to two classes of first-time buyer; those who work in the finance sector and have access to cheap house loans; and those who are obliged to borrow money at commercial rates of interest."

4.6 This statement is questionable. It seems to assume that those who do not have access to the States loan scheme work in the finance industry and have cheap loans. In fact the finance industry in Jersey, as in the United Kingdom, has been reducing progressively the benefit of staff loan schemes because of the distortionary effects which they have. In any event, if a particular employer chooses to offer a benefit as part of a remuneration package it does not follow that the government should aim to ensure that everybody who does not enjoy that benefit will get an equivalent benefit from the state. More importantly, a significant proportion of house buyers do not work in the finance industry and have to the pay the full commercial rate of interest on their loan.

4.7 In fact the States loan scheme is not so much a loan scheme as a mechanism by which a small number of households effectively obtain an income for 25 years which, with current interest rates, can be worth over £6,000 a year. Again, contrary to what is said in the Housing Committee's report, the scheme does not apply to all persons who meet the requirements because the requirements are incapable of being met by more than a small fraction of theoretically eligible people each year. There are not many properties which come within the price limit and most of those which do so are built as a result of activity by the Housing Committee. People are likely to qualify for a States loan only after a considerable waiting period and some households simply cannot wait and have to buy in the open market. It should be noted that only 35 loans were given in 1989 and 36 in 1988.

4.8 It is particularly difficult to see why those with States loans, alone of all mortgage borrowers, should be shielded from the effects of increases of interest rates. Even those who work for financial institutions have to meet part of the cost of higher interest rates. The higher the rate of interest therefore the greater the subsidy paid.

4.9 While one can understand the rationale for the States loan scheme, that is, it is a method of helping people purchase homes who otherwise could not do so, it is difficult to conclude other than at present it is a lottery which gives substantial benefits to an arbitrary group of people who most certainly are not among the lower income groups. In fact, given that there are few houses available at under £65,000, and loans near the maximum of £60,000 are required, there is an income qualification for a States loan of over £13,000 a year. Normally, of course, there are income ceilings for subsidies, not income qualification levels.

4.10 Turning now to States tenants, the Housing Committee has in fact succeeded in bringing about a fair rent system which ensures that tenants now pay a rent that is closely related to a market rent and receive a subsidy only if their income justifies it. However, it is difficult to ascertain the justification for any tenants being subject to a maximum rent, regardless of their means. The only qualification these tenants have is that they have been long-standing tenants (and therefore have enjoyed the subsidy for a long period). One can deduce an argument that if people have the subsidy then it is unfair to withdraw it but this seems somewhat paradoxical. It means that the more that people are subsidised the more they should be subsidised. In fact it is this policy which the States has been following. In 1983 the States decided that the rents on States rental accommodation subject to maximum rents should be increased by the Jersey cost of living index plus an amount of £2 per week "so that in due course fair rents are charged for all such accommodation". The Deputy who put forward this formula estimated that by 1992 all rents would be at fair rent levels. However, this would only occur if fair rents were not increased at all. In fact, from 1 April 1989, there was the seemingly strange position that the tenants enjoying the biggest subsidies, that is those subject to maximum rents, had their rents increased by 13-14%, while those tenants subject to fair rents faced a huge 21% increase reflecting changes in market rents. It should be noted that this problem has diminished greatly over the past few years such that by April 1990 only 566 tenants were subject to a maximum rent and of these 60% would benefit from rent abatement and therefore obtain no benefit from the maximum rent.

4.11 Turning to the private rent rebate scheme, this can be seen as an attempt to introduce more equity between States tenants and private tenants and it has certainly been successful in this respect. However, the private rent rebate scheme is not as generous as the States abatement scheme. For example, if capital resources exceed £10,000 then there is no entitlement to a rent rebate, whereas States tenants can have as much capital as they like without their entitlement to rent abatement being affected. The maximum subsidy under the rent rebate scheme is £2,180 a year, whereas there is no maximum in respect of States tenants and there will be some cases (admittedly not many) where a subsidy of up to £3,000 a year is being received.

4.12 On the question of subsidies, one must conclude that the present policy is failing to meet its objectives -

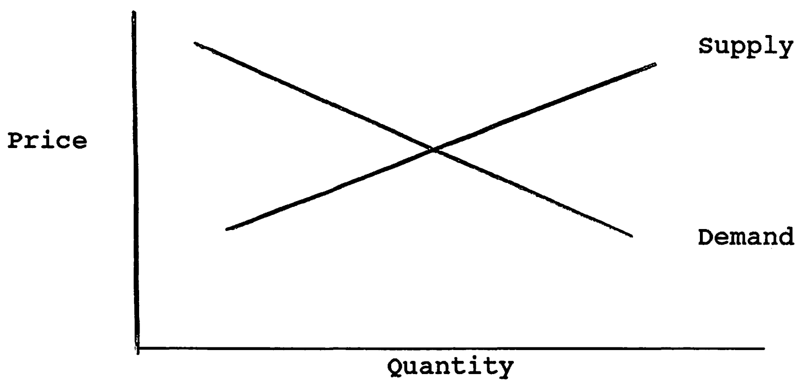
(a) The States loan scheme is inequitable and gives considerable assistance to a relatively small number of households chosen in an arbitrary fashion each year.

(b) Within the rented sector there is one very privileged group of tenants, States tenants subject to maximum rents, but the numbers in this group have been sharply diminishing.

The Supply/Demand Balance

4.13 In analysing the balance between supply and demand, it is necessary to begin with the most simple of economic theories, that is, that the price of a product is determined by the interaction of supply and demand. Other things being equal, a lower price level will lead to an increase in demand and a higher price level will lead to an increase in supply. For example, if one garage in Jersey started selling new motor cars at 20% less than other garages then it would face a big increase in demand; conversely, if the States announced that it would pay cleaners £30 an hour there would be an immediate increase in the supply of cleaners. Economists work with a very simple diagram to illustrate that demand for a product increases as its price falls while supply increases as price increases. This is shown in the diagram below.

The Supply/Demand Balance



4.14 If there is any attempt to limit artificially the supply of a commodity (for example, by taxing producers) then the supply curve shifts to the left and the equilibrium price rises. If for any reason there is a fall in demand for the product, then the demand curve shifts to the left and prices fall.

4.15 Housing cannot break the laws of supply and demand. The argument that "there is a shortage of housing" has no more meaning to it than the argument that there is a shortage of Jaguar motor cars, Scotch whisky or golf courses, except to the extent that people do need to be housed. Perhaps one can leave this very basic, theoretical introduction by noting that if Jersey sees itself as having a shortage of housing, with little space to build more housing, then the policy of reducing its price by subsidy will exacerbate that particular problem rather than help to solve it. The huge unsatisfied demand for States loans is not solely a reflection of an urgent housing need but also reflects the wish of people to obtain a substantial subsidy.

4.16 It can in fact be questioned whether there is "a shortage" of housing in Jersey at all. The following article appeared in the *Jersey Evening Post* on 21 June 1990.

> "**Flats: It's a buyer's market**
>
> A surplus of flats on the local housing market has led to a slowing down in sales, enabling buyers to be more selective than they could have been 18 months ago.
>
> According to local estate agent Mr Robin Stone, flats which were converted from town houses have tended to lose up to five per cent of their value since 1988 due to the surplus on the market.
>
> Although it is no use looking for big bargains, buyers are able, during the current economic climate, to pick and choose what they want, particularly when considering a town apartment, with some prices less than they were in 1988.
>
> **Out-of-town apartments**
>
> It is the out-of-town more expensive apartments which are proving a little easier to sell, Mr Stone says, although even their sales are slightly down compared with 18 months ago.
>
> The sale of apartments at Les Mielles, for which his company are the managing agents, is on target, with only one of the 22 luxury flats now unsold.
>
> The president of the Jersey Estate Agents Association, Mr Tony Williams, attributes the current slowing down in the sale of flats to the fact that so many of the purpose-built luxury apartments have come 'on stream' at the same time.
>
> Another important factor influencing the market was high interest rates, and people were hoping that towards the end of the year they might see a down-turn in the base rate.
>
> The bargains were not around because flat owners were sitting tight and hoping for a change in interest rates, said Mr Williams."

4.17 The share transfer market does provide the lowest priced owner-occupied property. A cursory examination of the *Jersey Evening Post* at present will show share transfer properties available at under £100,000 and, in some cases, under £80,000, while few houses are available at less than £100,000. It might be asked why there should seem to be a surplus of lower priced flats on the market given the States loan scheme. The answer is that the States loan scheme does not apply to flats. One therefore has the paradoxical position that a policy deliberately designed to help low income people buy lower priced property excludes the major category of lower priced property on the market. It is understood that it is intended to remedy this rather obvious defect. (It would probably be wise not to wait for the "flying freehold" law but rather to provide that loans may be made directly for the purchase of share transfer properties, with, if necessary, some additional security such as an insurance company guarantee or a charge over another property.)

4.18 Generally, the States loan scheme does not lead to a significant increase in demand because so few loans are made as there are few properties that come within the requirements. Rather, the effect of the States loan scheme is to create a large number of frustrated home buyers who feel they are being denied the subsidy.

4.19 In the States rented sector the existence of maximum rents might encourage some people to hold on to larger property than they would occupy if they had to pay an appropriate market rent although the Housing Department has been very successful in reducing the number of people subject to maximum rents and also in rehousing people who have more accommodation than they need. It is also an inevitable effect of rent rebates and the rent abatement scheme that they encourage people to occupy more housing than they would in a free market situation, but this is generally acceptable as the price that has to be paid for rent subsidy schemes related to income.

4.20 If the Island is concerned to increase the supply of housing then it has no choice but either to zone more land for housing or to allow more high density developments, especially in St Helier. In the case of the latter this must be a planning issue and it is no function of politicians or civil servants to rule out such accommodation as socially unacceptable. In fact many small territories with large populations (notably Hong Kong and Singapore) make extensive and successful use of high density dwellings, and in many cities in the world high density and high rise apartments are an accepted form of life. It is, of course, important to ensure on planning grounds that any high rise housing is built only on appropriate sites.

4.21 There are other various forms of tinkering that can increase the supply of housing. Recently, for example, the Housing Committee has invited landlords who have been reluctant to lease flats above their shops and stores to private tenants to contact them. This is also an issue in the United Kingdom, and if the Housing Committee can find a way of bringing into use these properties this will undoubtedly make a valuable addition to the supply of cheaper rented accommodation, particularly in St Helier.

4.22 Finally on the question of the supply/demand balance, it should be noted that the government in various other ways, to be discussed in the next section, seeks to limit the supply of housing on to the market.

Role of the State

4.23 At present the States of Jersey occupy a position in the housing market that is, by international standards, very interventionist -

(a) The state determines those groups of people who are allowed to purchase housing through the Housing Law and Regulations.

(b) The state reserves the right to fix the price at which dwellings are sold.

(c) The state reserves the right to alter a rent freely agreed between landlord and tenant.

(d) The state allocates low interest loans in an arbitrary fashion.

(e) The state allocates considerable quantities of housing, much of it heavily subsidised.

4.24 While it is possible to produce some rationalisations for this extensive role of the state, this overall panoply of controls implies a greater confidence in the state to allocate resources and correspondingly a lesser confidence in the private market than exists anywhere else in the world.

4.25 The price control policy is thought to be the only policy of its type in the western world. It was introduced as a short term measure to control immigration but was then continued when direct immigration controls were brought in. Through this policy the state is second guessing what is a reasonable price for a property. The use of replacement values can in fact produce state approved prices that are higher than prices which would be agreed in the market. The rationale for price controls is difficult to see in that prices in Jersey have not moved very differently from those in the southern part of England. The small number of cases where prices are controlled suggests that the policy has only limited effect, although it can be argued that vendors and estate agents take account of the possibility of price controls. Also, the system would be unique if it did not lead to a "black market" with the equivalent of "key money" being paid by a willing buyer to a willing seller.

4.26 The beneficial effects of price control are at best dubious (it is certain that not a single extra family is housed) and the adverse effects on the housing situation are demonstrable. In a normal housing market, elderly people, particularly those widowed, tend to move from large to smaller housing units, thereby making available the larger units for families. This is, of course, followed very successfully as a policy in the States rental sector. However, price controls deter the elderly from selling and anecdotal evidence suggests that a fairly large number of elderly people would be willing to sell and to move into smaller accommodation were it not for the threat of price controls. Indeed, there may well be a demand for more accommodation particularly suited to the elderly and the more such accommodation can be produced and purchased or rented the more the larger housing units will be freed for family occupation.

4.27 In *Housing - Price Control and Building Loans Scheme: Report*, presented by the Housing Committee to the States on 11 October 1988, it was argued that price controls had to be maintained as long as demand continued to exceed supply. This is tautology, because the existence of effective price controls means that demand will continue to exceed supply as the effect of price controls is to increase demand and reduce supply. However, as there now appears to be a position whereby it is a buyers' market there is an opportunity to remove price controls without the fear that this would have any significant effect on house prices. The 1988 Report (paragraph 27) made the following comment -

> "In these circumstances, where demand and need have continued to march ahead of supply, it should not come as any surprise that there is pressure to push the level of prices steadily upwards. To remove controls at the present time would unleash those higher prices. The currently uncontrolled sector - the share transfer market - where modest one-bedroom flats are sold at prices of £60,000 to £70,000, or more, is evidence of what will happen. The Jersey Estate Agents Association has confirmed that "prices would generally escalate in the short term" were price control to be removed. (It has not been able to say when the market would settle down and at what level.) Such a development would mean many local persons, especially those in the more modest income groups, and those who do not have access to subsidised finance, being denied access to the purchase market and the housing shortage would clearly have been aggravated."

Two years on it is reported that prices in the "uncontrolled" share transfer market have fallen.

4.28 Much the same arguments apply in respect of rent controls. Throughout the world it is now accepted that rent controls can do great damage to the housing situation and stock. In country after country rent controls have been recognised to reduce supply and deter landlords from maintaining their properties in an adequate condition. Jersey is no exception to this. If landlords are not able to secure a reasonable rent which gives them a return on their capital equivalent to that obtainable from other sources and allows them to maintain property in good condition then they will either not maintain that property (a problem in Jersey as in the United Kingdom) or when they can they will sell the property with vacant possession to owner-occupiers (part of the reason for the increase in supply to the share transfer market). An article in the *Jersey Evening Post* on 31 May 1990 usefully illustrated these points -

> <u>"Tribunal says no to increase</u>
>
> A decision by the Rent Control Tribunal not to agree to the scale of proposed rent increases for Marett Court has been described by Mr David Hunter, one of the directors of the company which owns them, as 'astounding'.
>
> According to him the decision will deter more investment in private sector residential accommodation.
>
> But Marett Court resident Mrs Judy Glading, who organised legal representation for some of the tenants, believes that the Tribunal has not gone far enough and should have only agreed a cost of living increase.
>
> Daisy Hill Real Estates, who own the property, were asking for the rent for one-bedroom flats (currently costing £156.20 a month) to be increased by 44 per cent to £225.30 a month. However, the Tribunal decided against such an increase and instead agreed on a 22 per cent increase to take the rent of the property to £190.67 a month.
>
> **'Grossly dissatisfied'**
>
> Meanwhile, instead of a 46 per cent increase requested by the company for two-bedroom flats, which are currently let for £178.20 a month, the Tribunal agreed to a 19 per cent increase. This means that instead of increasing to £260 a month the rent has now been set at £212.33.
>
> The 47 per cent increase sought by Daisy Hill for a three-bedroom flat currently priced at £200.20 a month, was reduced to 17 per cent by the Tribunal, making the rent permitted £234 a month.
> After learning of the Tribunal's decision on 22 May estate agent Mr Hunter told the JEP that he was 'grossly dissatisfied' as it seemed that the new Rent Control Tribunal appeared to have no regard to rents of comparable properties.
>
> The Board would have to reconsider their position and it was likely they would appeal against the decision.
>
> Asked about the effect it would have on those considering investing

> in private sector accommodation, Mr Hunter said it was unlikely that anyone would want to invest in building private residential property is they were faced with this sort of decision, whereby they could not necessarily expect a fair rent compared with other similar controlled properties...."

Moreover, there is now a specific policy aimed at the poor, that is the rent rebate system, and this would seem to negate the need for yet another measure, the only guaranteed effect of which can be to reduce the supply of housing. The case against rent controls is strengthened by the procedure under which the Rent Tribunal operates. It appears to be a law unto itself and operates with no clear guidelines and without any requirement to take account of the prevailing level of market rents or States rents. It is a particular irony that States tenants have no access to the Tribunal which, as in the case of Marett Court, has fixed rents at a lower level than States rents on comparable property.

4.29 Not only does the state regulate the private market but it is also the predominant supplier of both rented accommodation and mortgage loans. Again, throughout the world, governments are recognising that they are not in fact efficient providers of housing and they are trying to shift ownership and management of "social" rented housing to private sector or quasi-private sector institutions. This is happening in Britain where the housing associations are now taking the prime responsibility for new private rented housing and are taking over ownership of existing council housing. It cannot be satisfactory that there is one monopoly landlord of social rented housing and a more efficient service would be delivered to tenants if there were some diversity of landlords.

4.30 The state dominance in the mortgage loan market does not stand easily with Jersey's status as a sophisticated financial centre. There would seem to be no need for the States to be involved in giving mortgage loans of any type and if it wished to subsidise loans then this could be done by subsidising private sector loans that met certain requirements rather than by the state making the loans itself.

4.31 Generally, the role of governments in housing throughout the world is coming to be that of a facilitator, that is the government must provide the right framework which allows private sector institutions to produce a supply of affordable housing. This means having basic requirements right such as an adequate land tenure and title registration system, laying down appropriate building standards, ensuring that consumers are not exploited by builders or landlords and providing financial assistance to those unable to house themselves satisfactorily given their incomes.

<u>Conclusion</u>

4.32 The general conclusion that one can draw from this analysis is that there has been no coherent housing policy in Jersey. Rather, policies have been implemented in isolation of each other. Until the recent welcome addition of the rent rebate scheme for private tenants there appeared to have been no attempt to look at equity between households in different housing sectors, especially those with States loans, and States tenants, nor any attempt to assess the effect of subsidies on the balance between supply and demand. There has certainly been no systematic monitoring of the effect of the various policy instruments.

CHAPTER 5

ISSUES FOR CONSIDERATION

5.1 Compared with the United Kingdom in particular and many other industrialised countries, housing policy in Jersey has been particularly successful in helping some people into owner-occupation who otherwise might have remained tenants for life, in adopting a realistic level of rents for most public sector tenants and, to the extent that direct controls have been felt to be necessary, in administering these in a reasonably efficient manner. This chapter suggests some modifications to housing policy that might be considered with the aim of helping to achieve more efficiently the objectives of the Housing Committee, that is to improve the relationship between supply and demand and to help people to be adequately housed who could not afford to pay market prices.

Measures to Improve the Supply/Demand Balance

5.2 If it is the wish of the States of Jersey to increase the physical stock of dwellings on the Island then this can be achieved only by building new homes. (It might seem unnecessary to state this rather obvious point but it does seem to be not always understood by politicians, certainly in the United Kingdom.) In turn, this can be done either by zoning more land for housing or allowing a greater density of housing on land which has been zoned. The latter policy may well prove more acceptable to many, especially if consideration is confined to the planning issues rather than to whether or not it is desirable that people should live in high density developments.

5.3 In the shorter term there is much scope to increase the supply of housing in relation to demand by ensuring that the existing housing stock is efficiently utilised. Here, economic factors are important. Housing will be kept empty or under-occupied if it makes sense for the owners or occupiers, as the case may be, to remain in this position. A landlord will, for example, keep property empty if he feels that the rent which he will achieve by letting it out is insufficient to compensate for the lack of control which he has over the property. Similarly, people may be deterred from selling, say, a large property and moving into a smaller one if the price is controlled to below a level which they consider to be reasonable. At best, the case for either rent controls or price controls has not been well made. What is certain is that if price controls or rent controls are effective then they will reduce the supply. The extent to which supply is reduced can be analysed only by a detailed examination of local conditions which is outside the scope of this paper. However, it is interesting to note that in the United Kingdom the government has now abolished rent controls through making the assured tenancy provisions universally applicable. With the depressed state of the owner-occupied housing market there has been a boom in private renting over the past two or three years, with owner-occupiers and developers making property available for rent for relatively short terms. A new market is being aimed at here, not the traditional market of people unable to afford owner-occupation but rather the many people for whom renting is an appropriate form of tenure for a limited time.

5.4 The Housing Committee has recently taken the initiative in respect of bringing into use flats above shops and again these can make a useful contribution to the overall supply of housing. There may well be other such initiatives; these need to be carefully explored with the help of local experts, in particular property owners and estate agents.

5.5 Arguably, the States loan scheme has a modest effect in increasing demand in relation to supply but as the demand is not allowed to express itself in the market (rather it is expressed is a long queue of frustrated, would-be home buyers) the effect on house prices is probably small and the effect on the overall supply/demand balance is equally small. However, the same cannot be said for the subsidies available to States tenants. The very purpose of subsidies is to enable people to occupy more housing than they otherwise would. The Housing Committee has in fact adopted an energetic policy of trying to rehouse people in housing more appropriate to their means. For example, where a family has occupied a dwelling subject to a maximum rent and three children have left home then the remaining couple will be rehoused in a smaller unit. However, this administrative action can never be fully effective and it is also understandably unpopular with many. If tenants have to contribute a greater proportion of their total housing costs this would ease the total pressure of demand on States housing and ensure that some of those who cannot now be housed by the States would obtain better housing conditions. This reinforces the case (made in the next section in respect of equity) for ending the maximum rents system as soon as possible and also for considering an increase in the proportion of their income which tenants should be required to pay in rent before becoming eligible for rent abatement.

Measures to Increase Equity

5.6 It is necessary to look at equity across the whole of the housing sector rather than at individual pieces of it. That is, it is not sufficient to ensure that one States tenant in a maximum rent property is treated the same as another States tenant in a maximum rent property, but rather that a States tenant in a maximum rent property should be treated similarly to a private tenant in similar circumstances and to an owner-occupier in similar circumstances. There are two major inequities that merit attention and a number of minor ones.

5.7 The first major inequity results from the States properties subject to a maximum rent. The perverse policy is being followed that those who have enjoyed the biggest subsidies in the past get larger subsidies each year, because of a faulty formula which is being used to increase rents with the objective of bringing them to a fair rent level but with that objective being impossible of being realised. Action on this point would not only improve equity but might contribute, albeit modestly, to improving the supply/demand balance, as any tendency there might be for tenants subject to the maximum rent to over-occupy their property would be reduced. It needs to be stressed that a significant move towards fair rents would not cause hardship for tenants as they would still be eligible for the rent abatement scheme which would prevent their rent rising above 20% of their household income.

5.8 Had the rent rebate scheme not been introduced then this report would have concluded that it was a major inequity that States tenants alone could receive an income related benefit in respect of their rent. The rent rebate scheme is in its early days and it remains to be seen how it will work out in practice. As with any such scheme, a great deal of work needs to be done to encourage people who are eligible to apply as there are bound to be teething problems which need some time to be sorted out. There are differences between eligibility for rent rebates and an abated rent and the reasons for these need to be carefully considered. It if difficult to see any logical reason why a States tenant with £100,000 of capital but not much income is entitled to a significant reduction in his rent whereas a private tenant of unfurnished property would be entitled to no rent rebate at all. The ultimate object must be to apply to the same rules to States tenants and private tenants as is done in the United Kingdom. Indeed, it is understood that this is the intention; the initial rent rebate scheme is seen as an experiment.

5.9 The rent abatement scheme (and the rent rebate scheme) provides for abatements such that individual rent payments cannot exceed one-fifth of the combined gross income of husband and wife in the previous year subject to certain adjustments. The rent abatement subsidy is now massive (about £4 million at an annual rate as at April 1989) and this is partly because of this very generous criterion. It may have been appropriate in the past but generally housing costs have been increasing more rapidly than other costs and this needs to be reflected in provision for housing to account for a higher proportion of income. It is also difficult to see why there should be a differential between this proportion and the proportion of income relevant to a reduced rate being charged on States loans (25%). Consideration should be given to increasing the 20% proportion perhaps over a period of years to 25% or 30% and to harmonising it with the comparative figure for qualification for a reduced rate States loan.

5.10 Consideration needs to be given to the format of the States loan scheme in respect of both efficiency and equity. At present the scheme, like many government schemes in many countries, is so attractive that it is almost impossible to take advantage of. At first sight the prospect of buying an £85,000 house for £65,000 with a £60,000 loan at a rate of interest of between 3% and 10% is about the most attractive proposition one could put to a young couple. The difficulty is that there are very few houses available at £65,000. The objectives of the scheme are laudable and indeed over the years the scheme has probably been effective in helping people become home owners who, in the United Kingdom perhaps, would have been destined to spend a life as tenants at probably a greater subsidy cost. However, the scheme needs to be reconsidered in the light of the higher general level of interest rates now prevailing and also the high level of house prices and the nature of the housing market in the Island. If the scheme is actually to be helpful in housing young people then two modifications need to be considered. The first is that it should be applied to the share transfer market where the lower priced homes are; secondly, the maximum loan and house price figures need to be increased. In themselves, these increases might lead to an inflation of house prices and partly for this reason, but partly also for equity reasons, consideration needs to be given to the terms of the scheme, which at present is not only generous but is accidentally so as a result of using fixed interest rates rather than a fixed subsidy in relation to market interest rates. There would seem little reason for those with States loans who can afford to pay a market rate to pay anything less than that. It needs to be remembered here that many of those with States loans will have had them for a substantial period of time, during which time their incomes and the value of their houses will have increased. To allow such people to continue paying an interest rate of, say, 10% is a classic example of giving a subsidy to those who least need it.

5.11 There are a number of formulae which could be applied to produce a more equitable system and these merit careful consideration. Perhaps the simplest device would be to establish a rate of interest related to the market rate. (This could be fixed, say, quarterly in advance in relation to market rates in the previous quarter.) The rate would be applied to all States loans with those taking out loans being entitled to a reduction in the first year of a certain percentage (say 10%) provided the rate did not fall below a minimum level (say 5%) with the subsidy then being reduced by, say, 1% a year until a market rate was reached. This would mean that when the market rate was 10% those with States loans would enjoy up to five years of a subsidised rate then would pay a market rate. With the mortgage rate at 15%, as at present, the subsidised period would run to ten years.

5.12 This formula is put forward as just one suggestion and there are others which could work equally well. (For example, a fixed percentage of income until the market rate was reached or loans beginning at a rate of, say, 5% and then increasing by a fixed amount each year until another fixed rate was reached.) The important issue of principle is whether the eligibility requirements for States loans need to be widened so that more people can take advantage of them and whether simultaneously the value of the scheme needs to be reduced so as to remove the present inequity of the system and also to reduce the consequent inflationary pressure.

5.13 In this context it is also necessary to reconsider the current distribution of planning gain between the landowner (generally a farmer) and the house purchaser. There is a good case for making all subsidies transparent. There is no doubt that purchasers of States loan housing obtain a subsidy in that they purchase the land at half or less of its true market value. There would seem no reason why the land should not be purchased at the full market value with the States effectively taking as a tax the difference between what it was prepared to pay to a landowner and the full market value. This tax could then be used to offset the interest subsidy payable to those with States loans. The overall effect would be that those using the States loan scheme would be paying a realistic price for the housing which they were acquiring and would be heavily subsidised during the early years of their loan to enable them to meet their repayments but with that subsidy reducing every time as their income increased and they were able to afford normal loan repayment terms.

5.14 On the question of tax relief on mortgage interest, if it did not exist then there would be no case for its introduction; given that it exists and has been absorbed into the structure of house prices there is little doubt that its instant abolition would be damaging. However, if there is concern at the open ended nature of the subsidy then consideration might be given to putting a limit of, say, £100,000 or £150,000 on loans for which the interest qualifies for tax relief. This limit would be held constant and therefore its real value would fall over time. This policy has been adopted very successfully in the UK. A limit of £25,000 was introduced in 1974 and this was increased to £30,000 in 1983. When the limit was first introduced it was twice the average house price; now the limit is half the average house price and as a result the distortionary and inequitable effects of tax relief have been sharply reduced over time.

5.15 As for the rent rebate and rent abatement schemes, it may no longer be realistic to provide that repayments should not exceed a quarter of the borrower's income during the preceding tax year. Consideration should usefully be given to a figure of 30%. Other things being equal there is no reason why whatever proportion is chosen should be higher than that for rent rebates or the rent abatement scheme.

Measures to Increase Efficiency

5.16 The point has been made that in respect of housing Jersey has a command economy. The fact is, however, that the administrative controls have been implemented reasonably efficiently and skilfully. However, this does not disguise the fact that administrative controls can never be wholly satisfactory. They must cause distortions (which is their intention) which can hinder the smooth functioning of the market. It is necessary to consider whether the Island authorities should seek to have so much control over the lives of individuals in the housing market. There are two areas in particular where current administrative controls probably have little beneficial effect and the potential for substantial adverse effects -

(a) Rent controls

The purpose of rent controls is to reduce rents below levels that would otherwise apply and it follows inevitably that the effect must be to reduce supply. The precise extent of the reduction is a matter than can be worked out only by detailed examination of local conditions. The case for rent controls must be put by those who advocate the controls and no significant case ever seems to have been made. Rather, rent controls exist because they have always existed and perhaps because there is concern for what would happen if they were removed. Rent controls have, in effect, been abolished in the United Kingdom with scarcely anyone noticing. There would seem no reason why a similar step cannot be taken in the Island.

(b) Price controls

The price control system looks bizarre to a visitor from outside Jersey. Again, the intention is to bring prices down below a level that would otherwise apply, presumably with the intention of affecting the overall level of prices. Again, no strong case for price controls has been made and to the extent that prices have been reduced then either this has simply led to a windfall to a willing buyer paying less to a willing seller than he was prepared to, or alternatively has led to properties being withdrawn from the market. If price controls did not exist then there would be no pressure to introduce them. There are always grounds for arguing that the abolition of direct controls should be delayed until "the time is right". On house price controls in Jersey the time has been right for some years and the present depressed state of the property market presents an ideal opportunity to abolish controls.

5.17 In a sophisticated financial centre the question should also be asked as to why the States of Jersey is the largest mortgage lender. This has presumably been tied in with the States loan scheme. It is necessary to look at the method of subsidising mortgage loans and then the institutions which will provide mortgage loans as two separate subjects. If the States loans scheme is to be altered, or even if it is to remain the same, there is no reason why the loans should be given by the States. It should be possible to set out parameters of a scheme which any institution could operate with the States making a direct subsidy payment to the institution on behalf of each borrower. This would also enable the cost of the States loan scheme to be clearly seen whereas at present it is hidden. If a formula such as that suggested earlier in this section is adopted then it would be very much easier to remove the States from being a supplier of housing loans.

5.18 As a general rule governments are not efficient suppliers of housing although it has to be said that the State of Jersey has been far more efficient in this respect than most other governments. Nevertheless, throughout the world there is a general move away from governments owning and managing housing. In the United Kingdom this is being seen through housing associations taking over from local authorities as the main providers of social rented housing. The States appear to manage their housing stock with a very small staff compared with English local authorities or housing associations. It would be useful to do a study of this together with a comparison of arrears and management problems generally. Consideration has already been given to the establishment of housing associations and one association has been established in response to the Troy Court affair. The Island is relatively small and probably could accommodate no more than two or three housing associations each of which would require professional staff. This would not appear to be a major issue at present but in the longer term is something which could usefully be examined.

5.19 It is also necessary for consideration to be given to the question of the sale of States houses to sitting tenants. Throughout the world, governments have been following the British example of selling public sector houses to sitting tenants. Generally, this is something which has benefitted the individuals concerned by giving them the housing tenure of their choice and the freedom to do what they wish with their homes and it has also benefitted the community as a whole by removing the need to maintain public sector houses and through capital receipts, which generally have been more than sufficient to pay off the outstanding debt. So far Jersey has not followed this policy although it has been actively considered within the Housing Department. The sale of public sector houses raises considerable issues of equity as well as efficiency with some arguing that it is unfair that those who have benefitted by having access to subsidised rental accommodation should then obtain a further benefit by being able to buy that accommodation at a discount. However, in most cases the discount has done no more than capitalise the existing value of any subsidy and, if this is a concern, then it is something which can be dealt with in setting the appropriate discount if indeed there is to be any discount.

5.20 In considering whether to adopt a policy of selling to sitting tenants it is necessary to consider the overall consequences for the supply/demand balance. In the short term this is unchanged as the same people will be occupying the same properties. In the longer term, however, as either the properties are resold or alternatively as there is a change in the size of the families occupying the properties, it is probable that the pressure on lower priced accommodation will be accentuated. For example, Table 4 shows that on average there are 0.71 persons per room in States housing compared with 0.52 persons per room in all households. To some extent this probably reflects the smaller size of unit but it also reflects the fact that States housing is more densely occupied than owner-occupied housing. Over a period of years, a policy of selling public sector houses must reduce the availability of lower priced units and this needs to be taken into account both in setting the discount and in deciding on levels of future investment in public housing. Generally, the case for selling public sector houses is much weaker in Jersey than in the United Kingdom. In Britain the policy has been necessary because of management problems with the public sector stock and the concentration of council housing (and therefore the poorer sections of the community) in large estates. Neither of these problems have existed in Jersey, and the issue has been and should continue to be handled on a pragmatic rather than a philosophical basis. The long term reduction in density has to be balanced against the positive advantage of mixing owner-occupation and States housing on the same estates.

5.21 Studying previous Housing Committee reports and other literature it is clear that there has been a deficiency in the way that housing policy has been formulated in the Island. There has been too much political involvement and the Housing Committee has been frustrated in achieving its objectives by short term political considerations. The best example of this was the formula adopted by the States to increase maximum rents which was so faulty that it could never achieve its stated objective of bringing them into line with fair rents. The quality of public debate on housing policy and therefore the formulation of policy itself could well be facilitated if an annual report was produced on housing in the Island (covering all aspects of housing and housing finance) under the auspices of an advisory committee would include representatives of financial institutions, developers, landlords and estate agents. The Housing Department appears to meet these groups individually and it might be that a more structured approach bringing all these parties together would at least lead to common ground on the nature of the problems, the likely effect of policy alternatives and so on.

CHAPTER 6

SUMMARY AND CONCLUSIONS

The Housing Situation

6.1 There are 31,000 houses in Jersey of which just over 50% are owner-occupied and 13% are rented from the States. Housing conditions in Jersey are good and have been improving. House prices are on a par with those in the South East of England and have increased at a similar rate. The housing finance market is dominated by the States which is by far the largest lender.

Housing Problems

6.2 Like most other communities Jersey perceives itself as having a housing problem with demand running ahead of supply. This is exacerbated by the strong immigration pressures.

6.3 Similarly, like most communities, Jersey has an affordability problem in that people in the lower income groups cannot afford to house themselves without significant government subsidies. The distribution of subsidies inevitably raises the question of equity between people in otherwise similar circumstances but in different sectors of the housing market.

Policy Instruments

6.4 The main policy instruments used by the States are -

(a) The provision of States housing (accounting for 13% of all households) with all States tenants being eligible for an abated rent dependent on income and a significant proportion being subject to a maximum rent that is well below the market rent.

(b) The States loan scheme offering loans at between 3% and 10% on houses valued up to £65,000, combined with a capital subsidy in the form of an artificially low land price.

(c) Controls on private sector rents together with a rent rebate scheme.

(d) Price controls.

Issues for Consideration

6.5 The objectives of the Housing Committee are to maintain a reasonable balance between supply and demand and at the same time assist those people unable to house themselves. States housing and the States loan scheme have been successful policies in this respect but some aspects of their operation now need review. In a review of housing policy the following points should be considered -

(a) The housing stock can be increased only if new houses are built. Is there a need for a review of planning policy, in particular in respect of high density dwellings?

(b) Are rent and price controls justified given the absence of any proof of their effectiveness and given that if successful they must have the effect of reducing the supply of accommodation?

(c) What initiatives such as the attempt to bring into use flats above shops could increase the supply of accommodation in the short term?

(d) States tenants, especially those subject to maximum rents, have been very well treated by housing policy. What is the justification for maintaining a group of tenants subject to maximum rents?

(e) What justification is there for differences between the rent abatement scheme for States tenants and rent rebates for private tenants, and should there be an objective of removing these differences as soon as possible?

(f) In the light of the increasing cost of housing generally is it reasonable to base rent rebates and rent abatements on a comparatively low proportion of income (25%)?

(g) Is it satisfactory that the States loan scheme now appears capable only of giving huge benefits to a small number of new home buyers? Would it not be preferable to widen eligibility for the loan scheme, by increasing the price and loan ceiling, while reducing the amount of subsidisation, particularly in the later years of a loan?

(h) Regardless of their effect on the supply of housing, is the policy of the States in attempting to fix both rents and house prices justified in the light of lack of evidence of the effectiveness of the price control scheme, the depressed owner-occupier market, and now the existence of a rent rebate scheme in the private rental sector?

(j) In the long term would it be preferable for any government subsidy on mortgage loans to be operated through private sector institutions rather than through States loans?

(k) In the longer term should housing associations be encouraged which could take over the management of rented housing on a non profit making basis, either from private landlords or from the States?

(l) Should States houses be sold to sitting tenants?

(m) Would the quality of debate on housing policy and the formulation of policy be improved by establishing a more formal consultative network embracing all the institutions involved in the housing market?

Conclusions

6.6 The people of Jersey have a tendency to be self-critical. Generally this is a healthy sign as it clearly indicates a desire for improvements. Reading press comment and debate in the States about housing one would think that Jersey is faced with a critical housing problem and that housing policy has been a failure. This interpretation is wholly incorrect. Compared with many other communities Jersey has a very satisfactory housing situation and there have been significant successes in the conduct of housing policy, in particular -

(a) Over the years the States loan scheme has helped families become owner-occupiers who, in other countries, would have been destined to spend their lives as public sector tenants. In the long run this has probably led to a saving of public expenditure as the government has not had to face the cost of maintenance of the houses.

(b) A realistic rent policy has been pursued in respect of the majority of houses owned by the States and every effort has been made to move tenants from the maximum rent to the fair rent system. There is not, therefore, the huge subsidisation of all public sector tenants as has been the case in many other countries.

(c) The rent rebate scheme has recently been introduced, initially on an experimental scale, but with the objective of bringing it into line with the rent abatement scheme for public sector tenants. This removes a glaring anomaly in the previous support system for housing. It should also play a part in contributing to an improved balance between supply and demand. If elderly people can be encouraged to remain in their own homes with the help of rent rebates then this will reduce the need for new States accommodation.

Generally, the inequitable effects of housing policy measures are much less in Jersey than in the United Kingdom. While the Island authorities have exercised more controls over the housing system than have most governments, these have generally been exercised in a reasonably efficient way. While the case for both rent controls and price controls is very weak, there is little evidence that the implementation of the controls has been such as to cause the major damage that is evident in so many other countries.

6.7 The areas highlighted for consideration in this report are for the most part relatively minor. They include the question of bringing the rent rebate scheme and the rent abatement scheme into line, something which already appears to be government policy; the phasing out of maximum rents which again must already be an objective, and a restructuring of the States loan scheme so that a larger number of people are able to benefit from smaller subsidies. These measures would make it easier to abolish both rent controls and price controls, which have already been made largely unnecessary by the current state of the housing market together with the introduction of the rent rebate scheme.

6.8 In the longer term, there is a need to consider whether the efficiency of the housing market could be improved by the privatisation of States houses, either through sales to sitting tenants or through transfers to a housing associations, and also for the privatisation of the States loan scheme.

APPENDIX

THE NATURE OF THE STUDY

Terms of Reference

1. The study has been prepared at the request of the States of Jersey Housing Committee. There are no formal terms of reference but rather the request has been to produce a "position" paper on housing in Jersey considering various objectives and expressing initial views on the relevance of the present legislation and its application to those objectives.

Conduct of the Study

2. The study does not claim to be an indepth analysis of housing problems and policy options in Jersey; rather it is a very broad overview. The study has been conducted as follows -

(a) An initial meeting with Housing Officer, Mick Pinel, Estates Manager, Eric Le Ruez, and Economic Adviser, Colin Powell, following which Housing President, Hendric Vandervliet, and Deputy President, Carl Hinault, joined the meeting.

(b) Desk research using published literature and some unpublished information from the Housing Department.

(c) Seeking comments on the draft report from the Housing Department and Economic Advisor, Colin Powell.

(d) A final meeting with Colin Powell and the Housing Department and the full Housing Committee.

3. The following publications have been particularly useful in the study -

(a) *Report of the Census for 1989*, States of Jersey, 1990. (This gives the necessary statistical information, particularly on households and to a limited extent on housing.)

(b) *Annual Report to the States by the Economic Advisor*, States of Jersey, November 1989.

(c) *Review of Housing Policy*, presented to the States on 30 July 1985 by the Housing Committee.

(d) *Housing - Price Control and Building Loans Scheme: Report*, presented to the States on 11 October 1988 by the Housing Committee.

(e) *Building Loans: Extension of Scheme (P.18/90) - Housing Committee Report*, presented to the States on 13 March 1990.

(f) *Review of States Housing Rents for 1989*, Unpublished Housing Department paper, 13 May 1989.

(g) *Dwelling Houses Loan Fund 1980 Accounts*, Unpublished States Treasury paper, 20 February 1990.
(h) *The States Loan Scheme*, Basic information, October 1989.

(j) *Rent Rebates for Private Tenants - Notes for Guidance*, States of Jersey Housing Department, April 1990.

States Special Committee

4. On 20 June 1990 the States of Jersey voted to establish a special committee to inquire into the special housing needs of the island and how they should be provided for. This is intended to be a far reaching inquiry considering the social implications of various aspects of housing policy. The committee comprises -

Senator John Rothwell (Chairman)
Deputy Graham Huelin (a former Housing Officer)
John Le Fondre (the prime mover behind the recently established housing association)
Advocate Keith Baker
Mrs Chris Wakeham

5. The committee is aiming to produce its report in a comparatively short time. If it is to do justice to the subject it is likely to require a great deal of technical assistance. This report is not seen as conflicting in any way with the special committee. This report is a broad overview and should usefully pose some questions for consideration by the special committee of the States.

The Author

6. This report has been prepared solely by Mark Boléat, who accepts full responsibility for the analysis and conclusions. The author was born in Jersey in 1949 and was educated at St Martin's Central School, St Luke's Primary School and Victoria College. He has continued to be a regular visitor to the Island and takes a keen interest in local affairs. (Between 1972 and 1977 he was a regular correspondent on economic, political and social matters for the *Jersey Evening Post*.) He holds a BA degree in Economics and an MA in Contemporary European Studies, and is a Fellow of the Chartered Building Societies Institute. He has worked for The Building Societies Association in London since 1974 and has been its Chief Executive since 1986. In recent years he has also held the positions of Managing Director of the European Federation of Building Societies and Secretary-General of the International Union of Housing Finance Institutions.

7. Mark Boléat is very involved in housing associations in the United Kingdom. He has been a member of the Committee of Management of Circle 33 Housing Trust since 1977, and is currently its Deputy Chairman and will become the Chairman late in September. Circle 33 has the largest development programme of any housing association in London and now owns over 7,000 properties. He has also been a member of the Committee of Management of Tennant Housing Trust since 1977 and was its Chairman for three years from 1986. In September 1988 he was appointed to the Board of the Housing Corporation, the government body responsible for funding and regulating housing associations.

8. Mr Boléat has written a number of books on housing including *The Building Society Industry* (Second Edition, 1987), *Housing in Britain* (1989), *The Mortgage Market* (with Adrian Coles, 1987), *National Housing Finance Systems: A Comparative Study* (1985) and *Building Societies - The Regulatory Framework* (Second Edition, 1989). Mr Boléat is also founder and editor of the journal *Housing Finance International*. He has spoken at housing finance conferences in over fifteen countries and has been a consultant for the United Nations and the Organisation for Economic Co-operation and Development. He is currently working on consultancy projects for the World Bank and the Canada Mortgage and Housing Corporation.