

C.(63) 84

COPY NO. 5214th May, 1963

## CABINET

WHITE PAPER ON HOUSING POLICYMemorandum by the Minister of Health

While recognising the importance of an initiative in the field of housing policy, I submit that the three major proposals in the memorandum of the Housing Ministers (C.(63) 80) are open to serious difficulties.

The Future Housing Programme

2. The minority of houses are built on the initiative of local authorities; the majority are built on the initiative of private firms, corporations and individuals. We can stop local authorities building more than a certain number by withholding loan sanction. Within limits we can cajole them into building more. Beyond that the Government has no power to determine how many houses are built either negatively (unless we are to reintroduce licensing), or positively (unless we are to take over house-building as a state activity).

3. I do not therefore think we should be wise to represent any total number of houses as a "target" or attribute to Government the "intention" that it should be attained. The Government's main function is to give guidance and leadership to local authorities in doing what we consider they should do. Should our policy not be expressed rather on the lines of paragraph 47 of the draft White Paper, than on those of paragraph 19?

A Housing Corporation

4. The proposition is that houses can and should be produced to let at rents covering all costs, if the capital, repayable over 40 years, is provided as to two-thirds or less by building societies and as to at least one-third by the Government "at current rates of interest".

5. This proposition assumes (a) that there is a large potential demand for houses to rent at economic rents and (b) that the demand is not satisfied because of the fear of re-imposition of rent control.

6. I consider these assumptions to be dubious. With so many houses still let at controlled rents or subsidised rents and with the continuing spread of house ownership, it is easy to over-estimate the size of the potential market for houses to let at rents well above controlled or subsidised levels.

7. As regards the second assumption, the proposed arrangements do admittedly meet the risk of re-imposed rent control by shifting it onto the Exchequer. The doubt is whether we can rely on philanthropy to provide the initiative and enterprise which elsewhere have to be rewarded with profit. As *The Economist* put it (11th May, 1963 page 521) "The one clear way in which the skill, energy and community spirit needed to run a housing project as a group can be attracted is by removing, or finding how to evade, the restrictions that demand that there is no profit for anyone in exerting them".

8. I suggest that a prospective 15,000 houses by 1967 are not worth the risk of this initiative proving a failure or the objections to creating a new state-guaranteed agency to do the job of private enterprise without profit. Would it not be wiser to see how the housing society provisions of the 1961 Act continue to work out?

#### Compulsory Improvement

9. The proposition is that if tenants do not think improvements worth  $6\frac{1}{4}$  per cent of the cost in annual rent, and landlords do not think  $12\frac{1}{2}$  per cent a sufficient return on improvements, then they ought to be forced to do so. The Minister of Housing does not exaggerate when he calls this "a new principle" - presumably for non-Socialists. It is not here argued that the prospect of renewed rent control inhibits the working of the market: we are frankly asked to use compulsion to make private owners do what it is not worth their while to do. I do not think that a fall in the annual rate of grant-aided improvements from 135,000 in 1960 to 115,000 in 1962 is sufficient to justify this.

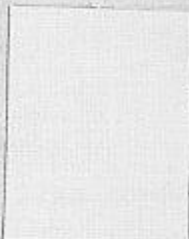
J. E. P.

Ministry of Health, S. E. 1.

14th May, 1963

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