

1985 Submission from the Canterbury Property Investors
Association

to the

Residential Tenancies Bill

RESIDENTIAL TENANCIES BILL

1. Comment on the effect of similar legislation in Australia.

The Residential Tenancies Bill is consumer legislation that packages the rental property in a way that is more risky, expensive, involving more paper work and more rental losses than in the past. It is written in such a way as to assume that residential landlords are a very dubious lot and that residential tenants are stupid and ruthlessly exploited but for all that are basically devoid of any ^{inherent} interest to do wrong as witnessed by the almost complete lack of penalties for activities ranging from wrecking the property to beating up the landlord and squatting. While the landlord is provided with penalties ranging from unspecified to 3 months jail and \$1000 fine. It must be obvious to most providers of rental homes that their activity is socially undesirable and if they continue this activity they will need to comply with a legislation in such a way as to rule out even the slightest deviation from the procedures provided in the Act. Failing to do so will involve very harsh penalties. Just as an example, if a landlord infringes section 24 where he gives a tenant notice of a rental increase and the tenant successfully claims that that notice was less than 60 days, the landlord, in decisions made under the same clause in S.A., has had to refund all extra rental paid since the increase regardless of how long since the increase was made or how justified the increase was. In simple justice it would seem to us that provided the tenant is notified of an increase the increase should run from the period when the notice expires.

From meetings we have held both with the minister and in the period leading up to the present submission ~~that~~ the general feeling of our members is very much in opposition to this legislation. The general principals of British justice have been turned on their head. The whole tenor of the bill is anti landlord and pro tenant and that is how our 400 members see it. Both parties are supposed to be equal before the law, in this bill they are not.

In S.A. when this bill was introduced the tribunal felt that there was a need to interpret the bill in the spirit in which it was written. The result was a period in which decisions of the Tribunal, where interpretation or discretion was required of the tribunal, were seen to be grossly unfair to landlords interests. The results I shall deal with later but the effect was most damaging to tenant interests.

There is little doubt, given our members feelings and the poorer utilization of our rental housing stock that will result from the bill that rents will rise. The statutory benefits provided, must be paid for. Many tenants will be unable to pay the increased costs and so we see a severe effect over time on the welfare budget beginning in the areas of low vacancy rates, like South Auckland, and spreading for two or three years to most other centres.

I will now turn to the Australian Tenancy Reform and its effects on the rental housing market. Three states have reformed their tenancy law, Queensland in 1976, S.A. in 1978 and Victoria in 1980.

The legislation was introduced in S.A. over the protests of the landlords. In fact there was no landlords group until the bill was introduced and one was formed to seek modification of the Act. This was achieved in 1981 partly because of the protests of landlords but I suspect mainly because of the very tight rental market that had developed by that time.

The vacancy rates continued to tighten until February, March 1983, when in reaction to the sharp rise in rentals and the more reasonable attitude of the tenancy tribunal a greater volume of rental property became available. Vacancy rates are still as at August 1985, still at 2.5%, a long way below the 4% ruling at the time of introduction of the Act.

Low vacancy rates are associated with high rental increases, in this respect rents have risen in Adelaide since August 1978 from \$55 to \$114 in August 1985 for 3 br houses for example, while inflation over the same period has been very much lower.

The effect of this situation on the public sector is made clear from a study of the S.A. Housing Trust reports. We see that the state had relatively stable spending around the \$50 million from '78-June '82 but then in response to what had become a rental housing crises the State and Federal Government provided more money (a) for the Emergency Housing Office, (b) new building, (c) the purchase of existing units for rental and (d) the subsidizing of private sector rents.

There has been a rapid increase every year since 1982 to the point where to June 1985 spending by State or Federal Governments in S.A. was \$192 million and projected to be \$203 million for the current year. This, for a population of 1.3 million in S.A., gives some conception of the impact on Public spending of even a small withdrawal of the private sector. It needs to be remembered that S.A. has had a large public sector rental base even when the Act was passed. Some 40% of all rental units were state units in 1978 and now has approximately 47% of all rental units. In N.Z. approximately 27% of all units are state units. In its most recent report the N.Z. Housing Corporation spent NZ\$70 million on the acquisition and construction of houses while selling off \$30 million worth of stock. Contrast this with the situation in S.A. If we mess up our rental housing market here again it seems that we could need in the region of 6-700 million a year to have any impact on the situation.

If we can now turn to that measure of the success or failure of Public housing policy the waiting list. In S.A. when the Act was introduced the wait list was under 15,000, by June this year it was 35,000 and by June 1986 it is projected to be 39,000 (note this is applications not number of people). If we assume that each application represents a family unit of the same size as the community average, then approximately 9% of the S.A. population is on the state house wait list. The equivalent figure for N.Z. would be approximately 100,000 on the state house wait list compared to 11,000 at present.

In Victoria where similar legislation was introduced in 1980 the experience has been very similar. A rapid decline in vacancy rates, a rapid increase in the public sector wait list, and a rapid increase in public spending to a point of \$210 million as at June 1984, \$218 million in 1985 and 268 million in 1986 and a current wait list of 27,000.

The availability of rental housing has not recovered as well as S.A. despite large private sector rental increases because of added political uncertainty and the relatively (in per capita terms) low level of public spending compared to S.A. There is a new tenancy bill been introduced to the Victorian Legislation which I hope to have to hand before presenting my submission. From reports I have this new bill is a reaction to the failure of the 1980 legislation and will further aggravate the rental housing situation. Rather than admit their mistakes the Victorians are saying the market is wrong and they are going to fix it with a more punitive law.

The
~~Comment of~~ Victorian Real Estate Institute - *was very critical of the*
legislation and are even not so of the present bill.
Both Victoria and S.A. have low population growth rates, about .6% - .8% per annum. In contrast to Queensland where population growth rates 2½% - 3% are the norm.

They should be able to cope easily and Queensland should be the basket case.

Turning now to the Queensland figures. Queensland has a population of about 2,500,000 and over the period under discussion has been growing at about 50,000 per annum compared to S.A., 10,000 per annum. The 1976 tenancy reform is not detectable on the vacancy rates or rent levels. The vacancy rate suffered a sharp decline between March 1981 and September 1983 but is now 3.9 in August 1985. Demoting the readily available level of accommodation. In fact present rent levels in Brisbane are \$97 for a 3 BR house, \$119 in Melbourne and \$114 in Adelaide. There is little doubt that they put consumer rights in the market place in Queensland as well as in the Statute book.

It has been stated that the Queensland residential tenancies market is healthy because of the large number of holiday homes in the state. This is incorrect as a perusal of the 1981 census shows that there are more houses in S.A. than in Queensland per capita, namely 2.91 people per house in Queensland and 2.69 people per house in S.A. The reason rent levels are low and property is available to rent is because of better utilization of housing stock brought about by fair tenancy law.

If we turn now to the public sector in Queensland we see current state and federal funding at \$85 million as at June 1985. We see the wait list declining from 10,000 in 1982 to 8,500 in June 1985 reflecting the return of a more normal supply in the private sector.

The figures and statistics I have quoted in this submission have come from the various annual reports of the state housing authorities and the "Market Facts" publication put out by the R.E.I.A. Also from conversations with senior members of the various state housing authorities. Where those authorities have been critical of the adverse effects on supply of the various tenancy legislation they have asked not to be quoted because they are implementing the policy of their political masters.

I have sought research on these issues both in Australia and N.Z. The source of urban housing research in Australia is the Urban Research Unit attached to the National University in Canberra. In conversation recently a senior member of that unit said to me that no independent research had been done by the unit into the effects of Tenancy Legislation. He also stated that the unit in recent years had suffered from political bias. He had hopes that things would improve in the future. I raise this point because research done by a "Chris Parris" who is attached to this unit has been given some weight by the minister. Mr Parris has a close association with left wing organisation called "Shelter". Of that organisation a senior public housing official said "They would have us all in public rental housing if they had their way".

Given that we are importing the Victorian and S.A. Tenancy legislation I have felt for some time that we should be researching the effect on supply of private rental stock and the effect on Public spending of that legislation. This doesn't mean the sort of "committed" research done by the likes of Mr Parris where you have a public political policy and the aim of research is to prove that politicians did the right thing. I have made repeated appeals to the National Housing Commission to fund this research and have been unsuccessful. The major reason seems to be that their research budget is only \$60,000. Given the hundreds of millions of public money needed if we get our rental housing policy wrong this seems to me to be very short sighted.

SUBMISSIONS

1. Our Association supports the N.Z. Property Investors Submission on this Bill.
2. We urge you to ensure that if you disregard the Federation submission that proper budgeting provision be made for the effect on Public Spending. After all S.A. didn't just implement the legislation. It has come after many years of high government spending on housing and has been followed by a truly massive effort in the public housing field.

3. This could be an appropriate time to implement a housing voucher system so that housing subsidies are all funded through social welfare rather than the Housing Corporation. The voucher or subsidy would then be fully portable between public and private sector and would have the effect of freeing up a large volume of state rentals for new tenants. There would also be many social and employment related benefits with such a system.

CONCLUSION

Over the last 20 years the standard of private sector rental accommodation has rapidly improved along with the availability of it. This has occurred because of the removal of the "Fair Rents" Legislation of the 1930's and 40's which protected both the rent level and tenure. In many countries the availability of rental homes is reduced by excessive attempts to protect sitting tenants. Britain is an obvious example.

There is little demand from the 4-500,000 people renting in N.Z. for tenancy reform. Attendance at any TPA meeting is witness to that. The demand for reform is coming from urban socialists and liberals with limited understanding of what motivates or effects the providers of the accommodation for the above 4-500,000 people. The legislation is written by the same socialist liberal group without any regard for the effects on supply. Despite a semblance of consultation, only minimal notice has been taken of the suppliers submissions and I am sure that will be the case with this submission also.

However we as an industry have a vital interest in a healthy market simply because of the political risks to our members if the reduction in supply puts landlords in a market dominant position. In Victoria the Government isn't admitting its mistakes, on the contrary, they are pressing on with further repressive legislation, just as N.Z. did in the 1930's and 40's.

This bill removes the last vestiges of the old "Fair Rents " Act, but it has taken 50 years, while the Act has done untold damage to our rental housing market and caused massive loss and suffering for those unfortunate enough to be housing people during those times.

In N.Z. we can pick up a paper on a Saturday morning and be moving into a rental flat in the afternoon. Most of us have done just that at some stage of our lives.

We have messed it up in the past, lets not mess it up again.

Thank you.