

COMMENT

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Local solutions for Britain's bleak housing sector

Britain is a rich, modern and dynamic country but its housing is among the oldest, pokiest and most expensive in the

developed world. I am German and have lived in London for just over a year. When my friends and family visit, they are surprised at how sub-standard British houses look. That surprise turns into astonishment and shock when I tell them how much one has to pay for them. I am becoming increasingly irritated at being pitted all the time – and yes, I know I could afford something better in Germany.

The German media have picked up the story: the Frankfurter Allgemeine Zeitung recently described Britain as a land where hot and cold water still run from two separate taps, where windows cannot be cleaned since they open only by sliding against each other, and where property prices are so inflated that the British cannot afford anything better. Such derision hurts all the more coming from a country whose economy is currently in the doldrums.

Yet, the sash windows puzzle aside, the Germans are right. Continental housing is much better than housing in the UK. It is more spacious, delivered faster, designed better and costs less. The obvious question is why that is so. Do other countries have better plan-

ners? Are their architects more creative? Do their builders work more efficiently? Or is some other factor at work?

To find the answer, Policy Exchange recently completed a detailed piece of comparative research in two countries that derive their planning systems from the British model (Ireland and Australia) and two countries that operate a decentralised zoning system (Germany and Switzerland).*

The results leave little doubt about what is to blame for the British housing crisis. The culprit is the planning system. Wherever British-style top-down planning has been tried, it has failed miserably. Ireland, for example, needed lots of new housing quickly to keep up with shrinking households and growing immigration during the boom years. However, planning for development started too late and then only produced units for the bottom end of the market – a quick fix that is already creating problems for homeowners wishing to trade up.

Australia is an even better case in point. In spite of being a continent-sized country with a population of only 20 million, in its state capitals land accounts for between 50 and 80 per cent of the price of a small family home. This is mainly due to state government

policies of restricted land supply, densification and imposing infrastructure costs on developers. Common to both Ireland and Australia are exorbitant house price increases – an indication of an unresponsive supply side. Furthermore, both countries rely on local planners who have hardly any incentives to support development. Local budgets

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are not determined by the results of local policies but largely rely on central government grants.

In contrast to this stand Germany and, especially, Switzerland. Both countries are building new houses that are on average 40 per cent larger than their UK equivalents and both have enjoyed three decades of stable property prices in real terms. Planning is mainly done at the local level, where

budgets depend on factors such as population figures, tax revenue generated or even local income taxes. It is precisely because of this that local planners are keen to support their councils by making their cities attractive places to live and thus attractive to new inhabitants. People get the houses they want and the politicians are the masters of their own (fiscal) fate. Existing residents benefit, too.

One of the most eye-opening experiences I had in the course of our research was an interview with the head of the planning department in the Swiss canton of Schwyz. I asked him how Swiss people felt about the costs of residential development. Were they concerned about the potential environmental damage that so exercised large parts of the community in Britain?

He told me that people in his canton actually supported development and that their support was based on simple and rational cost-benefit analyses. People had learnt to ask a number of questions. How much would it cost to build more homes? How much new infrastructure would have to be provided? How much would the downsides of that development affect us? And how much would we gain by allowing development? Local communities in Switzerland have become comfortable deciding

on development proposals, weighing costs such as more traffic or less green space against benefits such as a new public swimming pool or a local tax cut. In that way, the Swiss flexible planning system also supports local government and local communities in general.

What was clear from our research is that the planning systems that work best are not only decentralised but also incentivised. Local decision-makers need to face the full costs and benefits of their planning policies. Only then can they deliver results that reflect market demand. Thus there is much to be said for taking some of the planning and taxation powers that currently reside with Whitehall and passing them down to local councils.

If Britain wants to solve its housing crisis, the solution cannot come from better central planning but only from more local and incentivised planning. Only then will it escape unflattering international comparisons – and enjoy windows that you can actually clean.

* *Bigger Better Faster More – Why Some Countries Plan Better Than Others* is published on Wednesday

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