

HOUSE PRICES: WHERE THE MONEY GOES

The big moneymakers

AS SOON AS the building strikes ended a vicious campaign against the workers started. Anyone would have thought the giant construction firms and speculative builders had been driven to bankruptcy.

And yet the building workers had only secured a basic wage for craftsmen of £26, rising to £32 by the end of 1974.

Employers spoke of the 'orgy of violence and intimidation used by pickets', newspapers said the settlement would mean £500 on the cost of a new house while the News of the World found 'Reds' and 'Strifemakers' behind picket lines, under floorboards... almost everywhere.

But no-one spoke of the 200 building workers killed and the 40,000 injured every year. No-one thought fit to mention that 1971-2 had been one of the most profitable years ever for land speculators and building companies.

That is why the story about Wimpey (which we print below) is so significant. It clearly shows the rich pickings Wimpey gained just on the buying and selling of house plots. Within a year the price of a new three-bedroom semi went up from £5,000 to nearly £7,000, mostly because Wimpeys made 350% profit on the sale of the land.

In comparison, building workers gained a rise of only 18% spread over two years.

Wimpey would argue that they do not speculate in land. They would say they had to sell the plot, which they bought in 1968, at 1972 prices because they needed more

money to buy more land to build more houses.

But this ignores the fact that Wimpey, like all large building firms, have huge land banks built up at well below current prices. This hoarding drives up the value of land. And they can virtually guarantee - except in time of depression - to profit handsomely from land sales.

This helps to explain why Wimpey's profits last year went up by nearly £2 million, from £8.3 million to £10.1 million.

LAND SPECULATORS

It's not just building companies and land speculators who have grown rich from the recent scramble for houses. During the last twelve months building materials have shot up in price by 18.3%, with woodwork up 30%, plaster up 19% and roofing materials up 16.7%.

These figures cast interesting light on the upsurge of profits shown by building material suppliers. Marley (roofing suppliers) watched their profits more than double from £3.8 million to £8.2 million. Redland's (concrete and brick) profits went up from £6.9 million to £9.1 million; and BPB's (plasterboard) rose from £6.6 million to £7.2 m. The Monopolies Commission are now investigating the plasterboard industry. But while firms can profit from the shortage of decent houses these price increases will go on and on.

Cost of a semi leaps £2,000 in a year

THE PRICE of a Wimpey-built three bedroom semi-detached house on Merseyside has shot up by nearly £2,000 within a year.

And yet construction costs have risen by only £400.

Confidential figures obtained by the Free Press shatter the myth that wage rises have caused the recent spiralling cost of houses.

They show quite clearly that profiteering on land sales is driving up house prices, which have jumped about 33% in twelve months.

Analysis of the cost of four identical semis sold by Wimpey between August 1971 and August 1972 shows how the real profits are disguised.

Wimpey say they only make a profit of about £550, or between 10 and 13% on the total net value when they sell their three bedroom semis.

ONLY A HALF-TRUTH

This seems reasonably modest. But it is only a half-truth. As with all house building companies, a large amount of profit comes from the buying and selling of land.

The land on which the four houses (see table) were built was bought for about £550 a plot in early 1968.

The first house built on the land was sold in August 1971. Wimpey decided that the net value of the plot had gone up by nearly 50% in three years, so they added £250 onto the cost of the house.

This means the customer paid 1971 prices for land bought in 1968 - and Wimpey made another 6% profit on the net value of the house with just the stroke of a pen.

Six months later in February this year, Wimpey were ready to sell another house. The net value of

HOW THE PRICE WENT UP

	House 1 Aug '71	House 2 Feb '72	House 3 June '72	House 4 Aug '72
Total net value of house*	£4,200	£4,280	£4,500	£4,625
Value of land when bought	550	550	550	550
Profit on net value	560	520	460	590
Increase in land value	250	930	1,300	1,750
SELLING PRICE	£5,010	£5,730	£6,260	£6,965

*Including value of land when bought by Wimpey

this house, including construction costs, agents' fees, and advertising, had gone up by just £80 from £4,200 to £4,280.

But Wimpey sold the house for £5,700 ... £700 more than an identical house in August 1971.

The reason for this sudden jump in profit was that Wimpey calculated that the value of the plot of land had jumped nearly 200% since they bought it. So they slapped a massive £930 on the selling price of the house.

It's all so easy. No-one has to put in more than a few minutes' work and their profit on the house jumps over 18%. And so the great Wimpey cash bonanza goes on. In the scramble for houses no-one notices who's running away with the money.

By June 1972, four months later costs had risen a bit so the net value of the third house was £4,500. The land had also gone up in value,

Wimpey said, by £1,300 since they bought it. So bang! On it goes to the price of the house. More clear profit.

Come August 1972, and the land shortage meant they could make their next customer pay a staggering £2,300 for the plot on which the fourth house stood. That's a cool £1,750 over what they paid when they bought it in 1968.

WHO BENEFITS?

Whoopee! Wimpey benefit, shareholders benefit... and the only people to suffer are the poor couple who had to pay the £2,000 increase in price... mostly due to land profiteering.

If the buyer was already fully-stretched, he would need an unheard of pay rise of about £11 a week just to borrow the £1,750 Wimpey added on to the cost of the house.

END OF A COMMUNITY

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A spokesman for Liverpool University Estates Department said: 'There has been some talk about why students should be given these houses. But both the local authority and Housing Associations had the opportunity to improve them - but have done nothing.'

He added: 'At least our scheme will clear up what is there, and it could make the area very nice indeed from an aesthetic point of view.'

He went on: 'At first we were met with disappointment - rather than outright aggression - from the tenants. But after we had visited them, nobody was against moving, and a number were only too happy to leave because the houses badly needed repairing.'

The university and the Corporation have taken great care during the rehousing operation to meet the tenants' demands.

But typical of the views of tenants is Mrs Elizabeth Barney, who has lived at 59 Falkner Street

with her five sons and daughters for three years since moving from a demolition area.

She is reluctant to go, and likes the area and the house, despite the Corporation's neglect of repairs. But she is willing to move, provided she is rehoused in a nearby area.

'I will create a tremendous fuss if they don't rehouse me where I want to go,' said Mrs Barney. 'You can't blame students for this scheme... only the university and the Corporation.'

There are some points in favour of the scheme. Students will be housed near the campus, rather than in Mossley Hill. Also, the area will be brightened up.

It is just a pity that tenants who have lived in the area will not be there to benefit from the changes.

As an alternative, there are a number of high-rise and walk-up flats in reasonable condition which could be given to students. Some of the flats have been offered to tenants up to thirty-nine times, but haven't been accepted because they are unsuitable for children or old people.



The IRO building - described by the News of the World as a monument to bloody-minded men. But it's not the electricians who are bloody-minded.

IRO shutdown: who to blame?

ALL WORK at the Inland Revenue development in Bootle will stop in December because of the continuing dispute involving 16 electricians.

The closure follows the refusal by the Joint Industry Board to deal with the claim of the men who returned to work in June. The claim (by the two electricians employed by Lee Beesley) was regarded as a test case for a full return to work.

But after a delay of over four months, the wages committee of the JIB decided to put off a decision until 1973 because, in their own words, 'the committee was not satisfied that the operatives intended to strictly adhere to their obligations of membership of the JIB' and so they considered 'that the operatives be given a further period to prove that they are prepared to do this.'

The decision to defer the claim was made in the full knowledge that the Lee Beesley men have not been allowed to return to work on the IRO site since they were laid off during the building strike.

Referring to the JIB's handling of the dispute, Simon Mahon (Bootle's MP) has said: 'This is a first-class example of procrastination and bureaucracy.'

HISTORY OF THE DISPUTE

OCTOBER 1970 - The question of parity with other workers on the site was raised with the union and management. The electricians' gross wage of £27.78 for 44½ hours was well below the building labourers' £44.35 for 44 hours.

FEBRUARY 1971 - After four months had passed without progress on their claims, the electricians voted to strike. No offer had been made to the men. And none has been made since. Local negotiations between union and employers are not allowed by the JIB.

The dispute dragged on during 1971 and early 1972 and it came to light that the government was in no hurry to see the building finished. Computerisation had proved a disaster for the Inland Revenue and the Tory government scrapped seven of the nine proposed centres. But work in Bootle and Cardiff was so far advanced that it had to go ahead. MAY 1972 - JIB representatives failed to turn up at a meeting between the men and the employers and no settlement could be reached. JUNE 1972 - After two previous returns to work had failed to get a response from the JIB, the Lee Beesley men returned again in an effort to break the deadlock and

avoid redundancies among the building workers. If their claim were settled, the electricians employed by James Scott would also go back.

OCTOBER 1972 - The JIB put off its decision on the Beesley claim.

One of the things at stake in the dispute is the right of shop stewards to negotiate directly with employers for a fair wage.

As the Bootle men come up to a second Christmas on strike they have again appealed for support. Donations to: J. Byrne, 44 Sidney Road, Bootle.

GIVE US A HAND!

'WHY doesn't the Free Press come out more often?' people sometimes ask. And the answer is that we would if we had more helpers. For the paper is produced by a nucleus of four unpaid volunteers working in their spare time.

We are not trying to make money. When things go well, we break even. More often we make a small loss - which has to be paid out of our own pockets.

Then why do we do it? We believe that as long as newspapers are run by businessmen for profit, there will be news that is not reported. Our aim is to report this news. In addition, we try to provide information which community groups, factory workers, tenants and others will find not only interesting - but useful.

Politically, the Free Press stands on the left, but does not represent the views of any particular party or organisation. The paper is controlled by the people who work for it - there is no editor or owner.

Anyone who agrees with our general aims is welcome to join us. Here are some things readers can do:

- Give us ideas for stories, or help write them.
- Help with proof-reading, layout, etc.
- Take photographs (free film and use of darkroom).
- Take some papers to sell to workmates or neighbours (25% discount, no charge for unsold copies).
- Find more newsagents to sell the Free Press.
- Help deliver papers (we'll pay your petrol if necessary).
- Draw cartoons.
- Help build up our library of newspaper cuttings.

If you want to do any of these jobs, ring 709 0264 and leave your name address (and phone number if you have one).

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