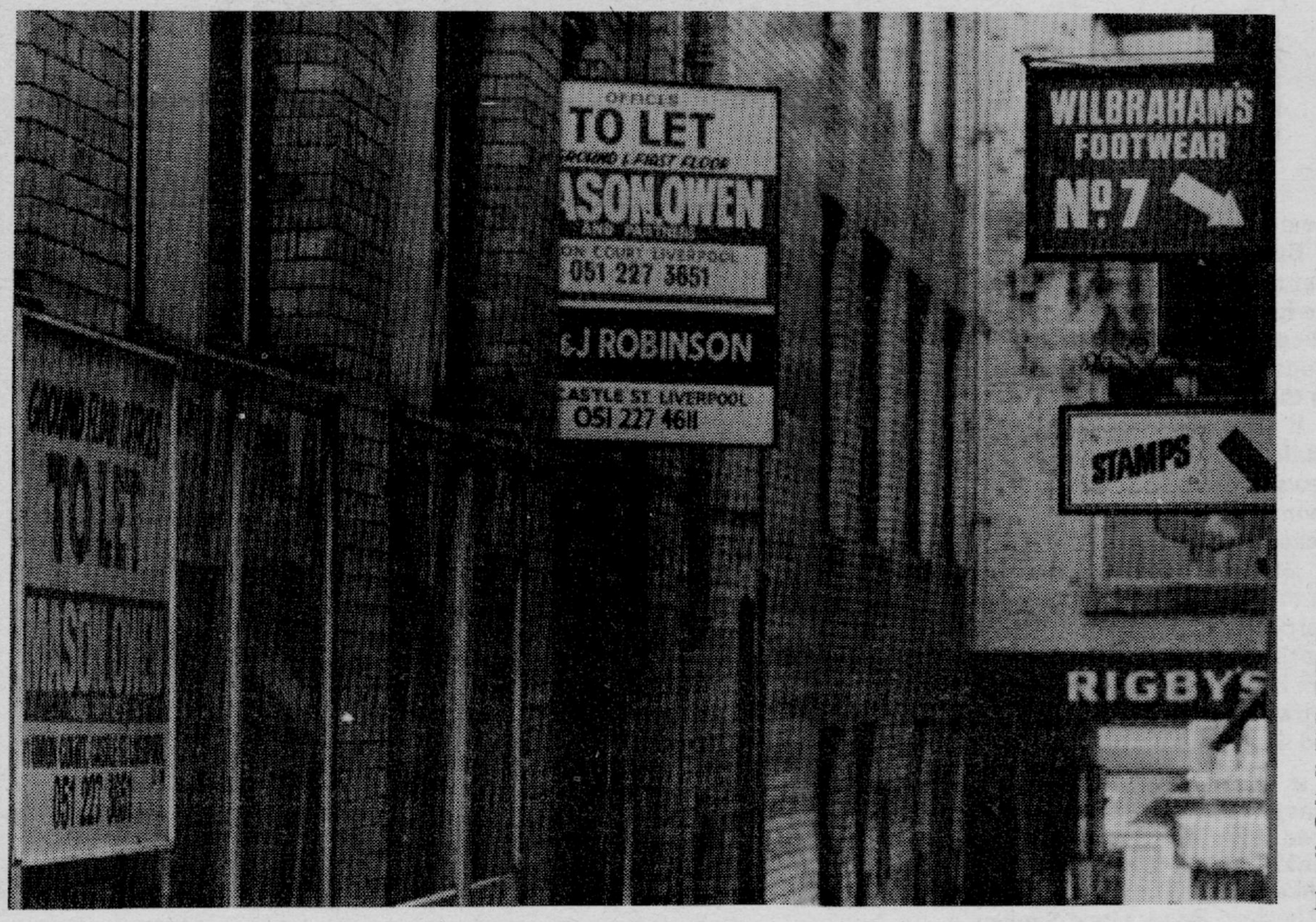
The legacy of Telegraph Properties



Hackins Hey – offices to let. Apply Mason and Owen.

IN 1972 an ambitious group of Liverpool businessmen made a finance and shares deal with a South African-owned insurance firm. After that they should have been assured of a profitable future.

Instead, Telegraph Holdings Ltd and twelve of its subsidiaries are being considered for liquidation by their creditors.

They bought a great deal of property in Liverpool, and now the city inherits a string of empty properties and derelict sites left in their wake.

Back in 1970 the Telegraph companies seemed promising. Their directors included Miles Kinsgton from the Walton Group, estate agents and property managers Mason and Owen, and Brian Calvert of the Maritime Housing group.

The main company, Telegraph Properties Ltd, was buying small properties throughout England and building suburban shopping arcades around Liverpool. Their total liabilities were nearly £½million with an annual rental income of about £40,000 – good enough for Mason, Owen and Calvert to be paying themselves £5,000 a year each.

In 1971 they felt the companies had a good future and the following year they found someone who agreed with them. A London insurance firm was committed to buying into two Telegraph companies when it was taken over by the South African Schlesinger group.

The Telegraph companies had been re-organised with Telegraph Holdings as the parent company, with Mason and Owen holding over 60% of the newly-issued one million 25p shares (then valued at £1 each). Trident General Insurance Ltd had a 20% stake which they sold to another Schlesinger company – London Consolidated Property Ltd – in return for LCP shares. LCP then put two of its South African directors on the Telegraph boards.

Over the next fifteen months, Telegraph's activities increased during the property boom. On borrowed money they bought chunks of property. By the end of 1974 the listed mortgages totalled over £4 million. A series of new subsidiaries appeared, apparently to deal in hotels, industrial sites and international property, etc.

But by this time the property boom was over. In Liverpool the results of Telegraph's methods are still standing, or rather, demolished.

Telegraph bought property on the edge of the potential development areas – Paradise Street, Moorfields, Mathew Street, and spent £650,000 on the Old Stock Exchange and surrounding buildings.

They had no money to do the development themselves. They bought sites and then looked around for backers. With the end of the boom, they were caught with empty sites.

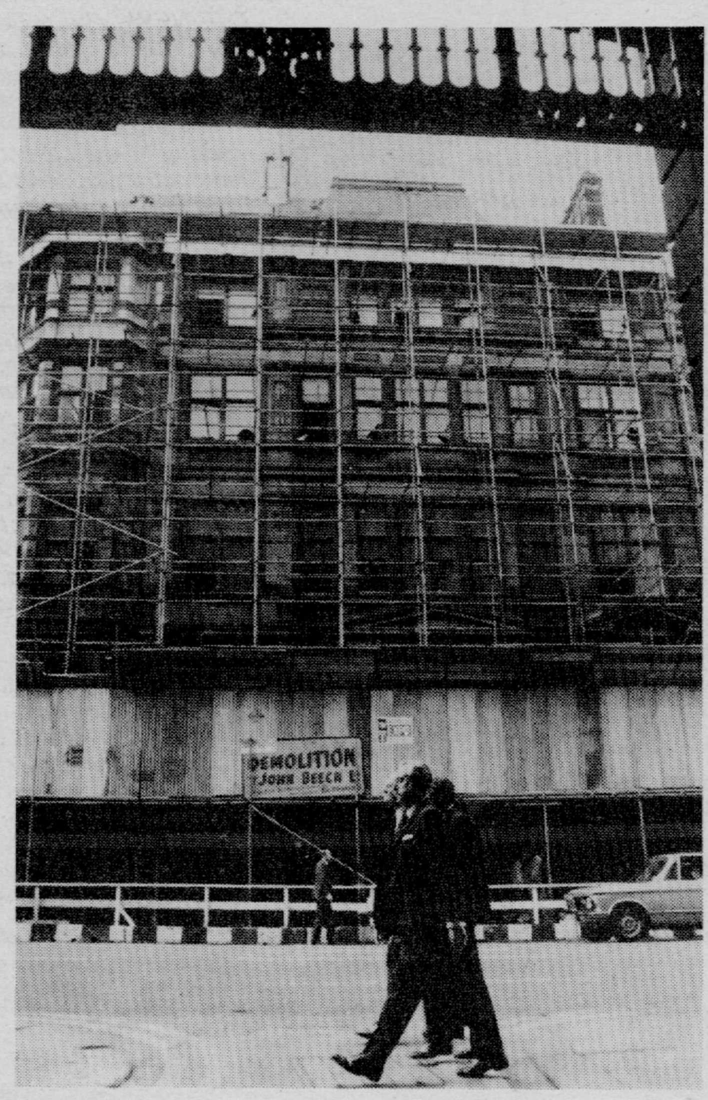
For Telegraph it was the end: high mortgage repayments, rates demands on empty buildings still with mains services, expensive renovations of small offices and low rents from unconverted buildings with no hope of another property boom.

The story of Telegraph is nothing new, but what it has done to Liverpool affects more than just the Telegraph directors.

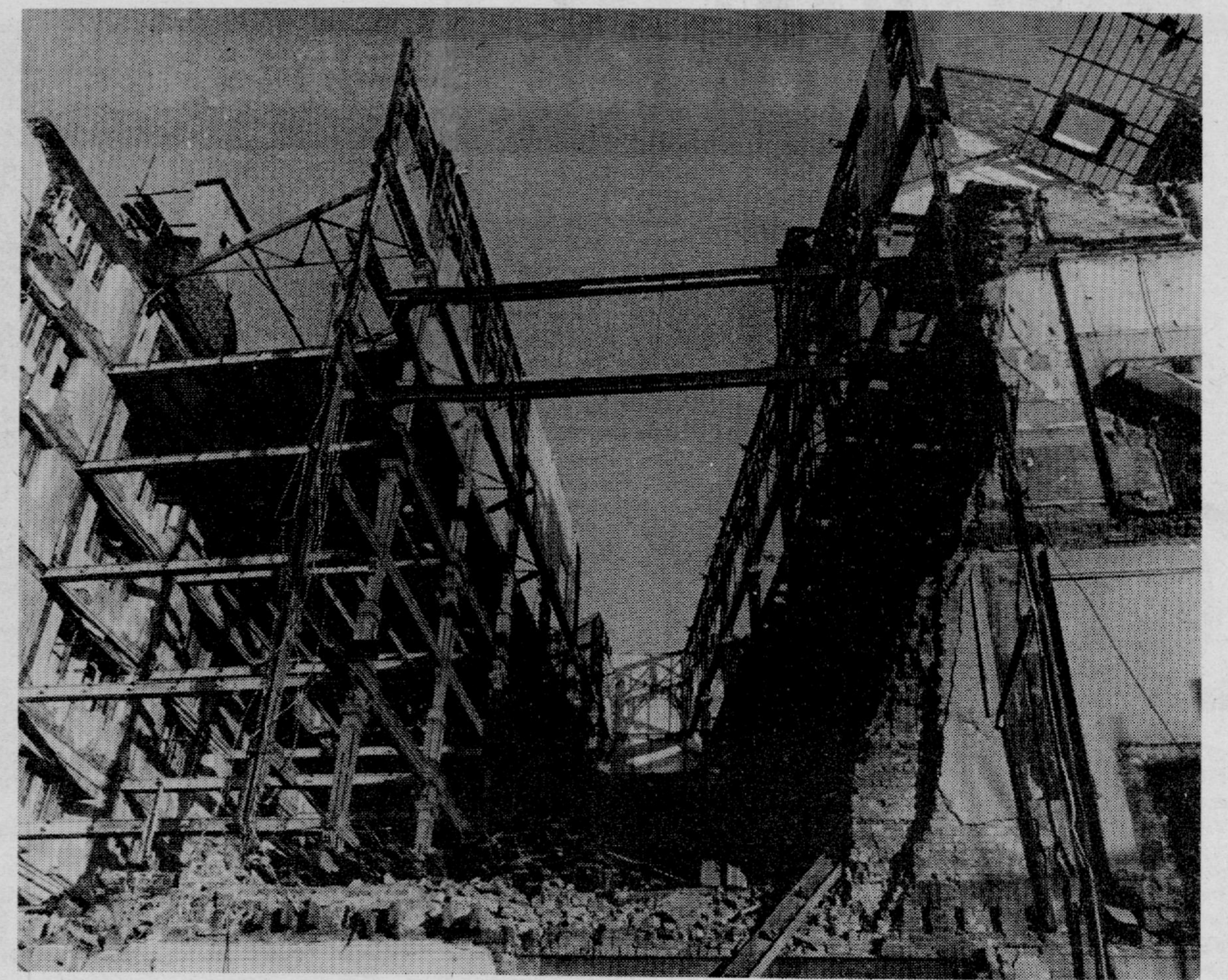
● **Telegraph's large development in Kirkby town centre was done through Telegraph Properties (Kirkby) Ltd, one of the firms not affected by the collapse.**

This company was set up in 1972, with a quarter of the shares held in the name of Control Nominees Ltd. Control Nominees is owned by the National Westminster bank and it buys shares on behalf of customers who wish to remain anonymous.

It is not known whether these shares were bought for one of the bank's Kirkby customers.



The Old Stock Exchange – bought for £650,000



The Sailors' Home. Conservationists wanted to save it. Now it's gone and nothing has replaced it.

Just for the record

WHY ARE the DHSS interested in the height, hair colour and local accent of claimants?

That's what a woman reader wanted to know after she found these details were all recorded on her file. In our last issue we urged DHSS officials to come forward with the answer – and they did.

First, the good news: They don't go round measuring up all claimants. Only one document – Form A70 – contains this information.

Now the bad news: A70 is the form used by the so-called sex snoopers to make reports on people suspected of cohabiting. Also on the form are personal details about the "suspected person", the time, place and box number where the claimant signs on, and the name of their local post office.

Form A70 is headed "Not to be weeded", which means it stays on a person's file for ever – even if they are innocent and even if they stop claiming.

● **Another interesting document is A6M, which is set out with little boxes where officials put a cross if they think you're insane, deaf, neglect your children and so on. There's even a box for claimants whose "attitude to work wants watching".**

COUNCIL HOUSING

The fight on the home front

COUNCIL HOUSING is under sharper attack now than at any time in the last 20 years:

- **New council building has fallen dramatically.**
- **Rents are rising faster than shop prices.**
- **Standards in new council houses are being cut.**
- **Money for repairs and improvements is being slashed.**

Opponents of council housing are out to prove that State-owned housing doesn't work. By pointing out the faults of a lot of council housing – rigid rules, poor materials, bad design, lack of facilities – they hope to discredit the principle of council housing.

Instead of pointing to ways the State system can be improved, they seek money for housing associations, co-ops, equity sharing schemes and so on. More serious is the growing amount of public money that supports the private housing market.

Certain financial and political interests have always seen council housing as some kind of 'welfare benefit'. Any "normal" family living in a council house is presented as "living off the State".

These same interests support the Government's economic strategy of wage restraint, unemployment and cuts in public spending. The economic crisis is being used to attack the principle of council housing.

But, as this report shows, the private housing market has never been able to meet the needs of working class families.

A mass interest

OVER the past fifty years, providing houses has become a battle between the public and private sectors.

But experience has shown that private enterprise, even when it has been given an almost free hand, simply can't provide a decent home for everyone. It only provides houses if it is profitable to do so – and generally that means housing the better off and forgetting the rest.

The aim of council housing is to allocate houses according to people's needs. But there are problems.

Although council housing is not run for profit, there are big profits to be made in building and financing it. The same problems that affect the private market – shortages, profiteering, speculation – also affect council housing.

Nearly two-thirds of all rent collected goes to pay interest charged by financiers on the money they lend to build council houses.

And if it weren't for subsidies from the government and rates, all the rent money would not be enough to pay these interest charges. For example in 1973/74 councils collected £775 million in rents and paid out £954 million in interest. (This didn't include repayments on the actual loan!)

Although some of this interest is paid to the government's Public Works Loan Board, it all goes back to the financiers in the end because the Board itself borrows in the City.

Government subsidies to help pay for council housing have more than doubled in five years to £1,275 million last year. But interest charges have also more than doubled in the same period to £1,400 million.

Meanwhile the financiers are doing very nicely. The eleven Discount Houses who deal in government, trade and local authority money made £30 million profit in the first six weeks of this year.

There have been lots of stories in the Press about how the council housing debt increased in the last five years by 57% (to £13,000 million). But the same stories usually forget to mention that the amount of money owed by owner occupiers on their mortgages to building societies has gone up by 107% (to £16,000 million) in the same period.

There has been much talk about councils borrowing money intended for industry. But the fact is that owner occupiers are now taking well over a third of the money available for investment (excluding only the big banks) and this will go on increasing as bigger and bigger mortgages are needed as house prices rise.

Every £100 of INCOME comes from:		*Every £100 SPENT goes on:*	
Unrebated rents	£55	Interest payments	£62
Subsidies	35	Repaying loans	8
Contribution from the rates	7	Repairs	17
		Management	10
Other	4	Other	3

Average for councils in England and Wales, 1975/76.

Big rent increases in the pipeline

WITHIN THE NEXT two years the government plans to increase all council rents by an average of £2.50 a week. This is on top of last year's increases.

With the average rent in England and Wales now nearly £5 a week, excluding rates, rent rebates etc, the extra £2.50 a week amounts to a 50% increase in just two years – at a time when the government is trying to limit wage rises to 4% a year.

The reason is that the government has decided to limit increases in subsidies to 13% a year over the next five years. But since the cost of borrowing will go up more than this, the extra will have to come from... the tenants.

The increases will not help to pay for more council houses (fewer are being built now and for the next five years than in 1968), nor will they pay for better maintenance or management (money for repairs has been cut in the last two years). They will pay the financiers and cut housing expenditure and divert money to private industry.

The increases are not inevitable – they can be fought. The government has chosen to make tenants pay in order to cut public expenditure. It has not chosen to do anything about controlling the banks and financial institutions which profit out of council housing.

Although each council now decides its own rent levels, government control of the level of subsidy means in effect that councils have little choice.

Over the past ten years rents have always been rising faster than wages and prices. Even the rent freeze in 1974/75 didn't alter this situation. Figures prepared by the Chartered Institute of Public Finance and Accountancy, show that rents have gone up about 180% in the past ten years compared with increases of about 160% in wages and 110% in prices.

Private subsidy

GOVERNMENT subsidies on council housing have increased 233% in the last five years. Naturally the Press have been delighted to publicise this. A fact not so well publicised is the 300% increase in subsidies to owner occupiers in the same period.

Owner-occupiers get subsidies in the form of tax relief and grants.

There has never been any limit on the total amount of tax relief in any one year, nor on the amount an individual can claim. So those with the highest salaries and biggest mortgages benefit the most.

Tax relief on mortgages last year was about £950 million. A further £99 million went in Option Mortgage subsidies (for those who don't pay tax and therefore can't claim relief).

Private landlords and owner occupiers also receive improvement grants. Besides improving living conditions, these increase the value of the house – for the entire benefit of the owner – and even the wealthy can get grants.

Many builders are baled out by councils when they can't sell their finished houses. In 1974 councils bought up 10,000 houses started during the Tory house price boom but completed after the boom crashed.

In 1973/74 the government gave a grant of £15 million and a loan of £500 million to building societies to help them keep mortgage interest rates down.

How that dream home can become a nightmare

BECAUSE of the housing shortage, income is the key to a decent home. The less you earn, the greater the impact of the shortage.

The shortage also means that the owners of property and the lenders of money can control who gets a home, and how.

Most houses are bought on borrowed money. About 90% of house buyers get loans from building societies – the remainder borrow from councils, banks and insurance companies.

Average earnings of first-time house buyers last year were £3,909 a year, and they spent about 37% of their income on the mortgage.

As well as income, eligibility for a mortgage depends on age, sex and job. The societies prefer to lend to a man in his late twenties in a white collar job. While the Sex Discrimination Act is meant to abolish the bias towards male borrowers, it doesn't alter the fact that women earn a lot less than men on average. For the building societies, ability to pay replaces the councils' 'priority' system.

For a mortgage, the type of property also counts. The building societies prefer a modern suburban semi. The house, after all, is theirs until the mortgage has been paid off in 25 or 30 years.

Councils have to take on the 'bad risks' – that is, loans on older properties to lower income families. Building societies, despite some half-hearted pressure from the government, just will not lend in these cases. Money for council mortgages was severely cut last year by the government.

As a last resort, home buyers can borrow from fringe banks or other financial groups. Interest rates on their loans are often scandalously high.

Not all owner-occupiers are wealthy or on above-average earnings. Many working class families are attracted to the idea of home ownership, even if it means husband and wife both working long hours to pay for it.

Others simply get fed up waiting for a council house and look around for a cheap place to buy.

There are some real advantages in home ownership... no landlord's rules, more choice over the area you live in, you can move house more easily if you change jobs, and there's a better chance of having a garden.

The higher your income, the stronger position you are in to take advantage of these benefits.

But for many working class families, owner occupation is a very bad deal. The dream of the 'ideal home' can turn into a nightmare, with families paying more than they can afford, at high interest rates, for rotten houses.

One of the facts about owner-occupation not shown in the building societies' adverts is the high cost of maintaining and repairing your house once you have bought it. These costs are fully borne by the owner. They can cause real problems for lower income owners, especially in the case of major repairs, like a new roof.

For some people, however, owner occupation is very profitable – far more so than renting to tenants. Private landlords in a working class area like Saltley, Birmingham, make their money by selling off previously tenanted houses for owner occupation. This means that:

The market value of the house jumps three times, giving the landlord a once-and-for-all gain, equivalent to ten years' rent.

The banks and financiers gain from the higher interest charges on the bigger mortgages given to the new owner occupiers.

"That must mean they're going down"

Political interest in providing homes

THE GOVERNMENT first started subsidising council housing in 1919.

There were four main reasons:

- **The threat of working class action over bad housing conditions and high rents, together with the widespread unrest and militancy immediately after the First World War.**
- **Failure of private enterprise to provide decent housing at rents people could afford.**
- **Decline of investment in housing, which was previously considered safe and profitable. Industrial investment became more profitable and there was also a massive shift of money out of the country as Britain expanded overseas investments.**
- **Pressure from the building industry for large contracts and a steady amount of work.**

The national subsidised council house building programme began only as a temporary measure to reduce the "temporary" shortage of houses. It was not based on any socialist ideals held by the Liberal/Tory establishment of the time. It was based on political convenience.

Once it was started it became increasingly obvious that the intervention of the state was to be permanent.

The Tories and the interests they represent now see council housing as a necessity, but only for the elderly, disabled, and people 'in need'. Everyone else must be encouraged and co-erced into owner-occupation so as to create the maximum possible opportunities for private enterprise and profits – and to keep state intervention to a minimum.

The state satisfies certain housing needs but at the same time creates and expands profitable markets for financiers, land owners, builders, etc. This is partly done by the state undertaking the 'unprofitable' tasks such as slum clearance and rehousing.

At the same time it is providing housing without which the militancy of tenants and working class generally would intensify and increasingly threaten the existence of the present system.

● *Based on a series of articles currently appearing in Community Action (available from Community Action, PO Box 665, London SW1 8DZ at 18p per copy plus 9p post, or from good bookshops).*