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CHAPTER SEVEN

ELEMENTS OF CONTROL AND COMPROMISE

Building Controls

The 1974 Budget contained a set of new controls which had the purpose of diverting building resources away from expensive large homes and commercial buildings. The following restrictions were announced:

> Building permits will continue to be issued on the present basis for single unit houses of up to 1,500 sq. ft., for garages or carports up to 250 sq. ft., and for flats of up to 1,000 sq. ft. each. Beyond these limits, as an emergency measure, projects may be deferred for a period of up to 18 months. Liberal allowances will be made for bigger families or when other special circumstances warrant.
>
> Building programming which currently applies in Wellington only, will be extended to the whole country. There will be power to defer projects costing over $60,000. Provision will be made to allow new and existing deferrals to be reviewed at any time in the light of prevailing local conditions within the new maximum deferral period of 5 years.(1)

The Minister of Finance explained that because the Budget contained a "greatly increased housing programme" and thus carried "inflationary risks" it was necessary to "... look at ways of directing some resources from construction of commercial buildings and large expensive houses to the construction of a great number of more modest homes".[2] Later the Minister of Works and Development issued a statement indicating the new controls would be administered by his Department and through a new set of

regulations: The Economic Stabilisation (Building Registration and Construction) Regulations 1974. These had the effect of revoking all the existing building registration and construction regulations and were to come into effect on May 31. Previously the restraints were limited to buildings costing more than $60,000 proposed for the Wellington region. The Minister explained what the Government expected the impact of the wider controls would be:

> While this will enable low priority works to be deferred wherever they occur, it is anticipated that most regions will experience only minor restrictions because the regulations will be applied only to those buildings where the public interest will not be unduly affected by delays. In any case the regulations will be administered flexibly with due regard to available resources and as the position improves the review procedures will be used to release any restraints no longer required. (3)

The B.I.A.C. advised that the "Building controls by the Government were intended to divert a proportion of resources into low cost housing rather than to reduce the volume of work available", and "...saw controls, as being no more than a delaying device to enable the industry to catch up on a large backlog of building, which had accumulated over the last year because of supply shortages and high rates of immigration".[4] The backlog was reflected in the fact that of the 40,000 permits which had been issued for new dwellings only 31,000 had been completed. The chairman of the B.I.A.C. observed: "I am confident the Government's present policy on deferment of more costly homes on a temporary basis will be operated humanely and should have little effect, if any, on total building activity. However, it will mean some shift of resources into houses for the lower income groups".[5]

The B.I.A.C. was "reluctantly" prepared to go along with the Government's new controls and did not feel the same

"alarm expressed by somegroups in the industry". Discussions, it seemed, had already taken place between the Council and the Government about the way in which they would be applied. Certainly the Government did not want to create any unnecessary tension between itself and the building industry or to cause a slow-down in building activity. The B.I.A.C., on the other hand, was prepared to recognise that the controls were required because "...a large proportion of the funds flowing into housing are outside direct Government control because they flow through non-institutional sources and to a large extent finance the trading up process in the middle and upper middle income groups".[6] However, the Council's willingness to accommodate the Government went much beyond a seeming concern for the housing situations of low income groups. Continuing high priced construction and disregard for "the community's real building needs" was now seen, in a declining economic situation, to be a threat to the very stability of the industry.

> In Council's view the current situation in the building industry is potentially unstable because the high levels of demand for building are believed to reflect more the influence on the community of high rates of inflation, than the community's real building needs. In these circumstances a very rapid fall off in demand can be expected if adverse terms of trade continue and it becomes necessary to apply further restraints on the domestic economy.(7)

The wisdom of accommodating the Government did not extend throughout the industry and confirmed the need for controls. Within a week following the Budget speech the Auckland Master Builders' Association berated the Minister of Finance announcing that they would seek a meeting with him in an attempt to have the housing restrictions repealed. The Association's manager pointed out that, "Builders engaged in high-cost housing feared they would have no work, and would be unable to switch overnight to low cost housing".[8] From the manager's point of view "The measures

were unrealistic and were introduced without realising the consequences". One exasperated builder was reported as saying the restrictions had "gone further than Communism".[9]

Apart from this sort of criticism, which was predictable enough and exemplified the unwillingness of many builders to construct low cost houses, the way in which the regulations would be administered was also causing difficulties for the Government. Denis Wederell, writing for the N.B.R., observed:

> The building control regulations, announced in the budget, were clearly rushed through, like much of the legislation introduced by this Government.
>
> In June the building inspector to a small Canterbury County Council said: 'This is the third notification we have had of different interpretations of the regulations since they came into force on May 31.'
>
> The Building Industry Advisory Council did its best to straighten matters by circulating to builders two statements. (10)

The new controls were unlikely to have any immediate effect on large contractors. In their mode of operation, financial arrangements are planned and development permits obtained far in advance of actual construction. Many of these contractors therefore had a number of projects on their lists well beyond the scope of the new regulations. Also, there appears to have been a subtle but distinct change in the Government's thinking about the extent to which housing shortages might be ameliorated through a reduction in commercial activity. The evidence suggests that the B.I.A.C. was exerting some influence on this question. One well placed informant observed that the Council did take an interest in presenting arguments against lengthy deferrals of commercial projects. In its newsletters the Council pointed out that labour skills and materials were not, for

the most part, transferable between the commercial and housing sectors, and that "...the main issue is the relatively small contribution made by commercial building to total building. In recent years commercial building has been only 12% to 15% of total building".[11] The principal problem facing the Government, as far as the Council was concerned, was to get a reduction in 'spec' building and speculative land investment and, concomitantly, the co-operation of the building industry in the production of low to medium cost homes. Indeed, it had been this problem which had led the Council "reluctantly" to accept the new building controls "on a temporary basis".

Apparently this view received some sympathy for in April the Council was able to report that the indications were "...that Government intends to obtain the resources from within the housing sector by shifting the emphasis from prestige houses to lower cost dwellings".[12] As the recession deepened the seeming social injustice of a situation in which finance and other resources were being poured into producing surplus office space while many people were in desperate need of adequate housing, had to be weighed against the need to maintain sufficient construction activity to sustain employment. Thus, although there was some concern among companies about what the long-term implications of the new policies might be, they were likely to find little difficulty in obtaining building permits for new projects. So long as the Government's own building projects were being proceeded with the controls would be used, as had been the case under National, for the "selective programming" of building activity among the major centres to avoid the type of concentrated activity which would further inflate building costs. Problems for the construction industry would centre on the general shortage of investment capital rather than deferral decisions from the building programmer's office.

Besides introducing building controls, the Budget

included an allocation of $190 million to the State Advances Corporation and $55 million to the Works Programme to increase the number of houses constructed by the State for rental accommodation. State Advances Corporation lending was to be directed to assisting low income people. This policy was to be implemented in accordance with the following provisions:

1. The income limits determining eligibility for 3 per cent loans were to be increased to $70 per week plus $5 for each dependent child.

2. 4½% loans would be introduced for those whose qualifying incomes were between $70 and $75 per week plus $5 for each dependent child.

3. An additional loan amount for those applicants who were eligible to capitalise the family benefit would be made available on the basis of $1 increase in their loan for each dollar capitalised.

4. A variable mortgage repayment scheme would be introduced which would enable the repayment pattern to be adjusted to take account of an individual's needs and family circumstances. (13)

The B.I.A.C. expressed some concern about the long term effect of these new lending arrangements:

> It is difficult to assess the effect on private sector building of these changes in lending conditions, partly because some of the immediate advantages to the low income groups will be lost because of continuing cost inflation, and an unknown number of potential borrowers will find that wage increases as from 1 July are likely to shift their basic wages above the new income qualifying limits. (14)

The old problem had not disappeared.

The Mortgage Finance Debate

Towards the end of June the shortage of mortgage finance was again headline news. Solicitors in particular were becoming more voluble. They reiterated that difficulties in obtaining short-term investment for refinancing mortgages would inevitably lead to a situation where people would have their homes repossessed. A report observed: "They also say that new loans from lending institutions, including Banks and Building Societies, have diminished to a dribble."[15] The Auckland Star drew attention, later in July, to the increased number of warnings to home-buyers about their expiring short-term mortgages.[16]

But apart from concern about the desperate situations of some homeowners, there was evidence to suggest that solicitors were equally, if not more, concerned about the land conveyancing side of their practices. The N.B.R. reported:

> Solicitors whose firms deal a lot in conveyancing are having a thin time of it and some may be laying off staff.
>
> The search companies, many of which were established only three or four years ago on the wave of a property boom, confirm these suspicions.
>
> They too, are finding that their assignments have fallen away sharply. (17)

In addition to the above the shortage of finance was having grave consequences for some property developers. Commercial Securities and Finance gave the following warning: "No doubt with the major liquidity crisis still worsening, a number of New Zealand companies will collapse, particularly in industries allied to property and building industries."[18]

Considering the number of professional people, including solicitors, who had ventured into property development to

make their "capital gains", it is probably not surprising that the latter wanted the Government to ease the supply of finance. What money was available was being offered in some cases at interest rates of over 20%.

Early in July the A.M.P. Policyholders Association "...called on the Government to alleviate the 'desperate mortgage situation' by permitting a reduction of Government and local body stock ratios held by the Life Insurance Companies".[19] The secretary of the Association said: "With the shortage of money Life Insurance Companies were finding it impossible to satisfy their policyholders demands for mortgage finance". The Association was joined by the Life Offices Association which called for a reduction in the amount life offices were required to invest in Government securities...and allow them to divert the funds to those sectors urgently in need of loan finance".[20] The chairman of the L.O.A. noted:

> ...a one percent reduction in the amount of funds life offices must invest in New Zealand Government securities would release almost $20 million for investment in sectors currently short of finance such as housing and industry.
>
> Alternatively, almost the same effect would be obtained if the Government absolved the life offices from having to make their required New Zealand Government securities investments over the next 12 months.[21]

By the middle of June, Banks had also begun to decline new loan requests. But despite its ramifications for people, the shortage of finance was having some desirable consequences from the Government's point of view. The N.B.R. noted: "A lack of suitable properties as well as a shortage of investment funds, has dried up the syndication market as effectively as Government's restrictive legislation".[22] Nevertheless, the Minister of Finance observed that "...he wished to emphasise that contrary to what has been reported,

there had been no Government directive to tighten up on liquidity", but that, "The fact of the matter was that the dramatic reversal in the terms of trade had meant that money had become much less freely available."[23]

Tightening liquidity also seemed to be affecting the new deferral policy. Auckland builders, it appeared, had little to worry about with respect to building restrictions. The N.Z. Herald noted: "It now seems clear that building restrictions will be applied only lightly in Auckland", and the building programmer was quoted as saying that "...the determining factor would be how builders responded to State housing construction needs".[24] Encouraged by the response of builders in Auckland, Wellington, Napier and New Plymouth, the Minister of Housing felt that building restrictions would not be as "severe as many builders feared". This was confirmed by a statement from the Minister of Works and Development which pointed out that of 3350 applications only 150 had been deferred - 90 new houses, 45 additions to houses and 15 flats - and these for only relatively short periods of about six months.[25] The "Property and Building Roundsman" of the N.Z. Herald also detected some encouraging signs in the building industry. He said that because of the "state of the building industry" it could be expected that there would be "plenty of offers" to build the 939 State houses allocated for the current financial year and noted: "A few months ago, however, builders did not want to build State houses on the basis of normal Government tendering. Builders are now asking the Ministry of Works and Development about work".[26]

The president of the Auckland Master Builders' Association queried statements concerning the effect of building restrictions on construction activity. They did not give an accurate picture he said. While admitting he was aware of "only about 50 cases" which had been deferred in the Auckland area, it could be assumed, he argued, that many builders, being aware of the restrictions would simply put aside their house construction plans and not attempt

to seek approval for them.[27] These independent decisions were not included in the statistics provided by various authorities. He observed, however, that the shortage of finance was the critical factor. The difficulty of obtaining mortgage money to build large homes was proving to be the "most effective restriction" on such construction.

The Government had found it necessary to leave room for manoeuvreability in the application of the deferral policy. Essentially the threat of restrictions was being used as a negotiating lever to get co-operation from builders in tendering for State house and other construction projects. The necessity for such a lever had been evinced by the difficulties experienced in getting tenders for such things as school and hospital contracts. In June the Auckland Education Board had expressed its dismay at the lack of interest shown by large builders in its new construction programme. This was expected to result in delays of up to 9 months in the provision of new school buildings.[28]

Care, however, had to be taken in using the deferral policy so as to avoid creating unemployment in the commercial building sector and among home builders. Over the next few months, as the country's economy deteriorated and investment finance became more difficult to obtain, the building programmer, apparently in accordance with instructions from the Government, discontinued deferring projects in Auckland. Mr D. Wederell argued it was the prospect of financial shortages, rather than restrictions, which would cause a downturn in property development:

> The cost of money is not so much a concern to commercial investors in property - but the shortage is.
>
> Because of the long lead time in the property development business the projects now going ahead are, for the most part, financed from funds long since secured.

> It is what will happen in the latter part of this year, and next, which is concerning developers.[29]

And:

> Bridging and construction finance are both in extremely short supply and there is not much salvation overseas.
>
> The foreign currency rates of interest are even higher in most cases and, in any event such funds cannot be brought in except for Government-approved developments.[30]

On July 9, the Minister of Finance announced to the Institute of Chartered Secretaries and Administrators that an extra $40 million was being released for housing and local body needs. Low-cost housing and essential local body capital works were to be given priority assistance.

To release the $40 million the Government had decided to divert finance from State investment by reducing the stock requirements of all trustee banks by 2%, which would free about $14 million, and to reduce the same requirement for private savings banks. By this time the banks were suffering from an "acute shortage of funds for bank loans", which the New Zealand Bankers' Association attributed to the May Interest and Deposits Order. The reductions would become effective on July 31, and make approximately $22 million available for house loans but excluded the refinancing of existing loans. This would ensure a source of finance for those who were still trying to find mortgage money in order to buy a home. In addition to the reductions the Reserve Bank had been asked "...to request the life insurance offices to maintain at least their present ratio of house lending to total assets. This level had been established following a request from Government the previous year".[31] While there was a great deal of variation amongst life offices the average proportion of total assets invested in house mortgages was 13.1%.

The strategy was clear. By freeing $22 million through the banks the Government had retained a measure of control over the mortgage market. While the amount was not nearly enough to satisfy demand, it was sufficient to cover priority cases while, at the same time, not allowing the market to become too liquid. The Government had also made its wishes known to the life offices and they knew that if the "request" was not met then directives were likely. It should be noted that the trustee savings banks had had their stock ratio requirements lowered in the previous February and would have them lowered again in December. The level over the year dropped from 54% to 50%, releasing approximately $30 million for housing purposes. In 1970, mortgage advances amounted to 24.5% of savings bank assets and by February 1975, had reached 37.2%.

The Government's effort to alleviate the mortgage situation brought immediate criticism from bankers. The $22 million was described as a "drop in the ocean" by the general manager of the Auckland Savings Bank.[32] For his bank the reduction of stock requirements "...would mean an extra eight loans of $15,000 each week over the next twelve months. The bank has already been lending $400,000 a week". In Hamilton City, bankers had similar criticisms and also observed:

> The measure would do nothing to help those already in refinancing difficulties and would do little to aid those trying to build.[33]

One banker said:"...it needs a lot more than this at a time when couples are grasping gratefully at first mortgage finance at 12 per cent interest - that shows how tight it's got".[34] The Waikato Savings Bank, it was reported, was in no position to open its mortgage department as a result of the extra $1 million it would have available. It already had a backlog of loan applications totalling $1.7 million. The bank's general manager, however, was not overly critical of the Government and did express an

understanding of its position:

> We welcome the Minister's announcement and we can understand the Government's desire not to jeopardise their national housing policy by releasing too large an amount of investable funds into this sector at the present time.
>
> However, we do feel that a more selective injection of funds through institutions experiencing the greatest demand is warranted.[35]

To ease the liquidity situation still further the Government decided "...that finance companies would be permitted to resume overseas borrowing on condition that they at least maintained the existing proportion of industrial lending to total lending from local funds and that the new overseas borrowing is applied solely to industrial finance".[36] The Minister of Finance explained that he was "concerned about industrial development being hampered through lack of finance". To further improve the liquidity positions of finance houses the Reserve Bank "...granted temporary exemptions to its directive of October 1973 which limited the level of aggregate credit limits the trading banks could grant to financial institutions".[37]

Monopolies, Wages and Loan Limits

Significantly, the Mayor of Hamilton expressed the view that rather than increasing the supply of mortgage money the Government should be conducting an enquiry into, and taking action on, the supply front. Commenting that the Government's decision was "simply pumping more money into an over-committed situation (and) will not in fact produce more houses, but will simply increase tender prices and associated costs", he went on to say:

> I think the real attack must consist of attending to the monopoly situation which has developed in some areas of supply.

> It is widely believed that a monopoly position is accounting in some instances both for shortages and continuing cost escalation.
>
> In addition to that, shortage of timber and its rising cost could be remedied if we were not trying to supply the Japanese and other countries at the expense of home demand.[38]

It was not possible to obtain concrete information on monopolistic practices in the area of building materials supply for this analysis; however, the views of a number of informants close to the building industry coincided with those of the Mayor. Particular concern was expressed by independent builders about the way in which large companies appeared to be manipulating domestic and overseas markets, and giving supply priority to their own building company subsidiaries and builders with whom they had associations usually in the form of building tie contracts.

The Government was not oblivious to the problem of monopolies. During this time it was attempting, in the face of strenuous opposition, to expedite the passage of the "Commerce Bill". This legislation provided the authority to disband monopolies deemed not to be in the "public interest". The Minister of Trade and Industry was delivering clear warnings about the types of practices the Government intended to halt. In May 1974, for example, he was reported as saying that "...the Government was strongly opposed to one group controlling either manufacturing or importing as well as the wholesaling and the retailing", and that his Department "...was right now investigating a case where it had been alleged goods were going through a number of hands, all of which belonged to the same group, and adding needlessly to cost".[39] The question of supply also received comment from the B.I.A.C., but rather than raising the matter in the context of "monopoly" the Council drew attention to problems of "information and communication".

> The problem of managing an economy under restraints imposed by supply shortages has emphasised the need for improved information, and communication with the supply industries. Council has been encouraged by the setting up of a Building Material Council under the N.Z. Manufacturers Federation and has established links with this Council on an informal basis. It is understood that this Council will be carrying out regular quarterly surveys of major suppliers to obtain information on their output, capacity, and investment intentions.[40]

Whether or not the Council also harboured suspicions that large suppliers were manipulating the supply of building materials was not determined. Its enthusiasm for the Federation's initiative, which seemed particularly well-timed from the point of view of public complaints and the strong opposition of manufacturers to the "Commerce Bill", did suggest a concern beyond the Government's ability to "manage the economy".

The decisions to reduce the stock requirements of trustee and private savings banks and to amend the public security ratios as they applied to life offices were taken on July 31. Importantly, just prior to these decisions, on July 25, the Government had raised the cost limits on new houses qualifying for S.A.C. loans by $1,000. This meant that the limit on houses outside Auckland, Wellington and Christchurch was now a maximum of $23,000 including the cost of the section. In metropolitan Auckland and Christchurch and Wellington coastal districts north of Camborne, Plimmerton and Waikanae the maximum would now be $25,000. For metropolitan Wellington, which included the Hutt Valley, Wainuiomata and coastal districts south of Camborne it was set at $28,000.[41]

While the increase in cost limits recognised the degree to which housing costs had risen, it coincided with a decision of the Price Tribunal to allow the building industry to recover the full 9% wage adjustment order.

The N.B.R. commented:

> Up to Thursday last week the Department of Trade and Industry was telling builders they could not recover the full nine per cent.
>
> But the regulation was becoming impossible to police and many companies were passing on the increase despite the department's ruling.[42]

Apparently there had been some "confusion" over whether the regulation did prevent builders from passing on the wage increases.[43] Presumably this, and increasing frustration with the Government's stand on the issue, had caused builders simply to disregard the regulation and to take the risk of getting caught. But despite this, given the circumstances, it was becoming increasingly inexpedient for the Government to maintain its position, even though the Tribunal's decision would lead to a general rise in house prices. As the Review noted, the regulation was "...one of the reasons given for the builders' failure to move more vigorously into the low-income housing field".[44]

No attempt has been made to assess what the final impact of all these decisions was. It seems likely that the Tribunal's decision probably offset, and perhaps even prompted, the decision to increase S.A.C. loan limits. Whatever the case there continued to be calls for the Government to do something about the "desperate" mortgage situation.

Local Authority Loans and Regional Development

As far as local authority loans were concerned the Government changed the public security ratios required to be maintained by life offices. The total would remain at 30%, but the Government stock component would be reduced by 1%, from 22% to 21%, and the local body

component would be increased by 1%, from 8% to 9%. This would provide approximately $18 million more in loans for essential local body works.

The Mayor of Hamilton expressed concern about the way in which the extra $18 million of local body finance would be distributed:

> Unless insurance companies see that local government stock is taken up at the local level, the measure may produce nothing at all for Hamilton.
>
> If insurance company head offices in Auckland and Wellington say that all investment is to take place in Auckland and Wellington, places like Hamilton and Tauranga will be left out in the cold.
>
> It is hoped that the insurance companies act responsibly and see that this money is distributed fairly.[45]

The Mayor's comments tended to convey a somewhat inaccurate picture of the way in which loan assistance was allocated to local authorities. As the body responsible for administering local body finance, the Local Authorities Loans Board, and not insurance companies, would decide how the additional finance was to be distributed. Nevertheless, it was an appropriate time to raise questions regarding the distribution of local body loans from the point of view of both regional centres and those authorities situated in designated regional development areas. The following provides a breakdown of the major loans sanctioned by the L.A.L.B. for waterworks, drainage and sewerage from 1971 to 1975.

1971 - 1972

Waterworks - total loans sanctioned: 23.9 million dollars.

Major approvals

Auckland Regional Authority	12 million dollars
Dunedin City Council	2.9 million dollars
Waitemata County Council	2 million dollars

Drainage and Sewerage - total loans sanctioned: 3.6 million dollars

Major approvals

Horowhenua County Council	1,086,685 dollars
Christchurch Drainage Board	0.8 million dollars
Tauranga City Council	0.75 million dollars

(Report of the Local Authorities Loans Board for the year ended 31 March 1972)

1972 - 1973

Waterworks - total loans sanctioned: 5.75 million dollars.

Major approval

Hamilton City Council	1.5 million dollars

Drainage and Sewerage: total loans sanctioned: 25.11 million dollars

Major approvals

Auckland Regional Authority	9.75 million dollars for sewerage works
	2 million dollars for drainage works

Rotorua City Council	1.9 million dollars
Taumarunui Borough Council	1.4 million dollars
Wellington City Council	1.01 million dollars

(Report of the Local Authorities Loan Board for the year ended 31 March 1973)

1973 - 1974

Waterworks - total loans sanctioned: 18.95 million dollars

Major approvals

Wellington Regional Water Board	9.2 million dollars
Timaru City Council	1.3 million dollars
Invercargill City Council	1.12 million dollars

Drainage and Sewerage - total loans sanctioned: 29.15 million dollars

Major approvals

Auckland Regional Authority	10 million dollars for sewerage works and 1.2 million dollars for drainage
Hamilton City Council	1.5 million dollars for sewerage and 1.0 million for drainage
Christchurch Drainage Board	1.65 million dollars for drainage and 1.50 million for sewerage

(Report of the Local Authorities Loans Board for the year ended 31 March 1974)

1974 - 1975

Waterworks - total loans sanctioned: 59.15 million dollars

Major approvals

Auckland Regional Authority	10 million dollars for sewerage works and 1.2 million dollars for drainage
Hamilton City Council	1.5 million dollars for sewerage and 1.0 million for drainage
Christchurch Drainage Board	1.65 million dollars for drainage and 1.50 million for sewerage

(Report of the Local Authorities Loans Board for the year ended 31 March 1975)

1974 - 1975

Waterworks - total loans sanctioned: 59.15 million dollars

Major approvals

Auckland Regional Authority	44 million dollars
Waitemata City Council	3.2 million dollars
Tauranga City Council	2.05 million dollars
Wellington Regional Water Board	1.8 million dollars

Drainage and Sewerage - total loans sanctioned:
57.23 million dollars

Major approvals

Auckland Regional Authority	7.033 million dollars
Hastings City Council	4.0 million dollars
Wellington City Council	2.134 million dollars
Auckland City Council	2.5 million dollars
Dunedin Drainage Board	2.1 million dollars

(Report of the Local Authorities Loans Board for the year ended 31 March 1975)

The above figures do not reflect the change in the distribution of loan approvals to local authorities which might have been expected from a Government committed to achieving a more balanced pattern of growth across the country. But, as has been observed, this objective had been subordinated to the more immediate problem of dealing with the "shortage" of low cost developed land and housing in urban centres. The allocation of finance for "essential" services was seen to be part of the solution to this problem. However, the word "essential" was taking on a broader significance as the country's economic situation deteriorated. Local body works were now being seen as a means of providing employment opportunities, thus assuring the larger urban centres a continuing position of priority in the loan market and other areas of financial assistance.

Meanwhile, Government politicians continued to express concern about the need to achieve a more even geographic distribution of growth and to escape from what the Minister of Works and Development referred to as the "vicious circle" within which "the big get bigger - and the weak get weaker" as an increasing proportion of the

country's resources were channelled into major metropolitan centres. He noted:

> In order to meet anticipated growth in major metropolitan areas, huge capital investment for roading, services, housing and a large range of urban facilities, was required. But investment to this degree, created more employment opportunities which in turn, encouraged labour migration to 'boom' areas. Demand for more goods and services followed, leading in turn to a greater share of the country's resources channelled to fewer areas. Less money then reached more static parts of New Zealand and it became a vicious circle. Now, we can only break the circle by a conscious and determined planning effort.[46]

The "planning effort", he argued, had to be initiated by the central government - "Regions cannot solve the problem themselves" - and take the form of "A general development strategy aimed specifically at a long-term shift in the pattern of economic activity and population growth throughout the country..."[47] The Rolleston project was indicative of the kind of central government initiative required to break the "circle". Speaking of Christchurch's "steadily weakening" position, he said:"Given the stimulus of Government's support and investment, that city could generate, and sustain, an accelerated growth rate. Indirectly, benefits would affect the entire South Island".[48]

The deliberate promotion of Christchurch combined with the development of "secondary centres" throughout the country and support for declining regions, particularly in the area of "resources utilisation" was, as the Minister saw it, the answer to achieving a balance of growth both at the regional level and between the two islands. These "steps" would be implemented within, and form the basis of, a flexible national development strategy. The success of such a strategy, he observed, would depend on central government and local authorities working in

"partnership" in the planning field. Referring to the "Local Government Bill", he said: "It's no accident that the Bill provides regional planning as the principal, and almost only mandatory function, of the new regional units of local government".[49] He intended to introduce a major revision of planning legislation in the next parliamentary session "which would ensure that regional planning provisions of the Town and Country Planning Act, are adequately adapted to meet the needs of proposed regional councils" and strengthen existing regional planning authorities.[50]

The Minister did not make clear exactly how the above ideas were to be married-up with the regional development programme - or were already influencing central government decisions in this area - and implemented through the Government's own allocation decisions. Neither was it clear how his proposals were to be taken as being consistent with the concern which had been expressed about the rapid growth of such "secondary" centres as Hamilton.

Verbal commitment to a more balanced distribution of growth was not, as far as many regional development councils were concerned a substitute for answers to the problem which they were continuing to encounter in such areas as housing. After several months of pressing various Ministers on the importance of housing as an inducement to industries, local authorities had achieved next to nothing. The apparent contradiction between the Government's professed commitment to regional development and its housing policies had not been lost on these authorities. The Otorohanga County Council, for example, wrote the following in a letter to the Ministers of Trade and Industry, and Housing:

> Government has said that it is an element of its policy to restrain the explosive expansion of centres such as Auckland and Hamilton and this in fact appears to be

> one of the reasons why it is prepared to assist in the promotion and expansion of industry in the King Country, but the continued allocation of new State Housing development to Auckland and Hamilton does not, with respect, appear compatible with this policy.[51]

Complaints from the King Country Regional Development Council and a deputation to the Minister of Housing resulted in officers of the Hamilton branch of the Ministry of Works and Development holding meetings in Otorohanga, Te Kuiti and Taumarunui. These meetings did little more than reinforce existing suspicion within the Council that the Ministry was either not prepared or not in the position to provide additional housing assistance to local authorities in the King Country. During the discussions the officers revealed that the allocation to the various communities consisted of four State and four design-and-build houses in Otorohanga, three and four of each type in Te Kuiti, and six and probably seven of each in Taumarunui. This information was accompanied by statements that the Ministry was having difficulty in Otorohanga in "getting builders interested and finding suitable sections" and was experiencing similar trouble in Te Kuiti with regard to sections. To the first comment, a member of the K.C.R.D.C. observed that, if there was some possibility of work continuity, then local builders would undertake contracts and in response to the second comment the Te Kuiti borough clerk provided evidence of more than sufficient sections to meet the Ministry's requirements. Later discussion with informants indicated that they felt that the officers had been less than sincere in their comments and had been merely trying to justify their Department's inadequate response to the King Country's housing requirements. Whatever the case, it was evident that the Ministry's State housing allocation was not going to contribute much to the regional development programme.

Suspicion about the Government's willingness to assist regional development areas with their housing

problems extended beyond the King Country and encompassed S.A.C. (now the Housing Corporation) as well as the Ministry of Works and Development. The Taranaki Regional Development Council, for example, called attention to the confusion which seemed to surround the policy of assisting key employees and the frustration it had been experiencing in getting co-operation from the S.A.C. on applications from companies. In a letter to the Minister of Trade and Industry, the Council explained that it had "...suffered a great deal of frustration on the topic of Regional Development Housing Loans, and we have been left with a very strong impression that the S.A.C. does not like Regional Development Housing Loans, and will therefore find one excuse or another to decline them".[52] It continued: "Our Council like all Regional Development Councils consists of quite a large body of very able men, who are far too busy to be expected to waste time chasing their tails on matters such as this".

The task of increasing their housing stock involved a great deal more for local authorities than an increase of State housing and greater assistance under the "key employee" policy. The Community Housing Scheme remained the central concern. In a letter to the Parliamentary Under-Secretary to the Minister of Trade and Industry, the Executive Officer of K.C.R.D.C. referred to housing schemes being prepared by Otorohanga and Te Kuiti and noted that "...at this stage the rates of interest on the money and other charges looks as though the rentals are going to be beyond the means of the people the scheme is designed to assist".[53] This comment was supported by the Otorohanga County Council which observed that under the Community Housing Scheme "...its repayment, maintenance and administration commitment would result in rentals beyond the means of the man to be employed in the expanding industries".[54] And:

> The Council is anxious to do all that it can to promote industrial expansion and particularly to assist expansion in those industries already established in the town and of proven ability and worth, but in fairness to its rate payers who in effect become the guarantors of any loan it must ensure that the housing project will succeed. In fact the Council believes that if in effect it is to become an agency of Central Government for the provision of housing, it should be able to offer housing at similar rentals to those payable for State housing.[55]

Although not wanting to 'become engaged in a housing project", the County Council was prepared to do so on the following conditions:

> (a) That loan finance be made available to it at interest rates and terms of repayment which will enable it to provide housing at rentals compatible with new State housing rentals in other centres.
>
> (b) That it be given a wider discretion than now exists to allocate housing, say up to 98% of the total to industrial firms for subletting to their employees, or otherwise to ensure that new housing is in fact available with some priority to the labour forces required to ensure expansion of local industry.[56]

However, the Government was not prepared to accommodate such suggestions as the above. Regional development areas were not, in effect, to receive the kind of 'special' consideration that applied to the State's own needs in such areas as staff housing for departments, and housing for construction workers at power projects. As for the urban renewal and community housing schemes, these continued to be of greatest interest and benefit to the larger metropolitan local authorities. The distribution of loans for both community housing and urban renewal for the 1974-75 financial year was as follows:

	Total Authorised	Payments
	$	$
Auckland City Council	500,000	455,409
Wellington City Council	10,805,000	2,730,263
Christchurch City Council	4,122,670	828,996
Lower Hutt City Council	500,000	177,460
Petone Borough Council	...	395,270
Others	863,000	449,959
	$16,790,670	$5,037,357

(Report of the Housing Corporation of New Zealand for the Year Ended 31 March 1975, Government Printer, p.26).

Getting Matters Under Control

Ten days after the Minister's announcement of the $40 million release, Auckland M.P's were invited to attend an Auckland District Law Society seminar at which they were to be briefed on the "desperate shortage of money for housing". A spokesman for the Society attributed the shortage of finance to a number of factors among which were the tendency for people to buy goods rather than have their savings eroded by inflation, and the practice of manufacturers to buy in advance of requirements in order to avoid rising prices. However, there seemed to be considerable disagreement within the Law Society about the state of the mortgage market. Not all solicitors considered the situation to be "desperate". The president of the Auckland District Law Society said that he was not aware of a "panic situation".[57] It was also reported that, "The society had no information that houseowners were in danger of losing their homes or that mortgage sales were imminent". This assessment was supported by the deputy manager of the State Advances Corporation who was quoted as saying that "...there was little evidence to support suggestions of possibly many foreclosings in Auckland".[58] Apparently, in an effort to explain the diversity of opinion about the availability

of mortgage finance one solicitor suggested that "...the difficulties in refinancing might apply to young solicitors seeking to get established with clients with little or no financial backlog". This statement, the evidence suggested, was a reasonably accurate assessment of the situation. The issue was not so much a shortage of mortgage money per se, but that certain solicitors were unable to satisfy requests for financial assistance. Others were in the more fortunate position of administering well endowed nominee company operations and/or having access to sources of institutional finance. Referring to "Solicitors and real estate agents who have sound lines of credit...", Mr D. Wederell observed: "They say that none of their sales have collapsed for want of finance, and that they do not expect to be in that situation".[59] Insitutions too, he noted, maintained that they were still lending:

> In Auckland, where the criticism of the government has been strongest from some solicitors and builders, the institutional lenders are in turn critical of the critics.
>
> They all say that they are continuing to lend, that they are refinancing loans as they fall due, and that while they are limited in what they can lend the position is nowhere near as difficult as it is made out to be.[60]

The Minister of Finance agreed with this and remained sceptical of accounts about the seriousness of the mortgage situation. Mr Wederell observed:

> Rowling gave...figures to substantiate his view that the shortage of mortgage finance is not as great as some of the government's critics contend: in May this year 14,143 mortgages were registered (of a total value of $140m), compared with 13,152 in May 1973 ($105m), and 9664 in May 1972 ($69m).[61]

Having conducted his own investigation Mr Wederell reported that, "Statistics Department urban land transfer figures show that up to the end of May the housing market was still lively". He provided the following table to indicate that there had been no dramatic downturn in the market:

URBAN LAND TRANSFERS

Consideration ($000)

Month	Number	Total	Average
1973			
January	5,333	65,340	12.25
February	8,954	108,019	12.06
March	14,821	187,708	12.67
April	8,222	102,479	12.46
May	11,722	156,267	13.33
1974			
January	6,266	102,926	16.43
February	8,751	148,075	16.92
March	10,157	169,179	16.66
April	8,140	140,919	17.31
May	10,468	178,125	17.02

[62]

The 1973 Budget, it should be noted, had included a refinance policy which allowed the S.A.C. to "offer assistance to homeowners suffering hardship through high interest rates on second or subsequent mortgages".[63] The Corporation's annual report made it clear that during the previous financial year there had not been many cases of "hardship".

> At the outset there was no real knowledge of the size of this problem which proved, in total, less onerous than anticipated. Consequently, it was possible to relax the initial qualifying criteria for assistance and entertain most applications where a reasonable case was established, as well as, in some particularly necessitous cases, permitting the refinancing of first mortgages.[64]

At the end of July 1974, the Minister of Finance provided further confirmation of the Government's intention to assist homeowners who found themselves in financial difficulties: "The Government won't allow people to be thrown into the street. It just won't happen".[65] On August 22, he announced that both the Public Trust Office and the Housing Corporation would make bridging finance available to emergency cases for a term of 12 months during which time borrowers were expected to find another source of refinance. This service was only open "...to genuine homeowners who had bought modest dwellings within their financial means".[66] The funds were not to be used to bail out people who had bought expensive "spec" homes or to be used as bridging finance by those who might buy such dwellings. As it turned out the emergency assistance was required during 1974. In 1975 the Housing Corporation would report: "During the current year 1237 applications for refinance of private mortgages were received. Assistance offered in 613 loans approved totalled $3.08 million, compared with 423 loans for $1.69 million last year".[67]

Mr Wederell's investigation also revealed that some real estate agents were engaged in somewhat questionable manoeuvres to pressure the Government to release more finance.

> Some people contend that real estate agents have on their books, as listed properties, houses which are not even built yet.
>
> 'With some of them not even the footings are in', commented one critic of such agents.[68]

Mr Wederell commented:

> During the boom those real estate agents whose business has traditionally come from the middle-price range of three-

> bedroomed family homes took some of the cream in the form of sales of mediterranean-style luxury homes, a kind which would rarely, if ever, have been seen on their books.
>
> This year they have had to get their feet back on the ground again, and learn where their bread and butter comes from.[69]

Certain elements of the real estate industry were doing their utmost to discredit and to embarrass the Government. One activity became public and involved "...real estate salesmen telling prospective home buyers that the property they want has been sold to the Corporation when it hasn't".[70] The General Manager of the S.A.C. was reported as saying that "...he did not want to see the S.A.C. made a scapegoat for unfortunate situations for which it was not responsible and which it had done its best to alleviate or avoid".[71] In a letter to the president of the R.E.I.N.Z., he asked for an investigation of the matter and for the Insitute to "...take such steps as you can to ensure that in future the State Advances Corporation is not blamed by any of your members for the sudden non-availability of advertised properties".[72]

On the acquisition front, the Government was continuing to run into difficulties throughout the country. Property owners, usually collectively, were using every means at their disposal to obstruct acquisition procedures. For example, in Hamilton it was reported that:

> Horsham Downs land owners have moved to delay legally the Government purchase of 500 acres earmarked for housing.
>
> At least six of the 19 property owners in the district north of Hamilton have refused to allow Ministry of Works surveyors on to their land.[73]

And the Minister of Finance referred to "...some tendency for people who are negotiating with the Government to think that if they hold off and force the Government to take the land compulsorily, whatever price they get is not affected by the present Land and Income Tax Act".[74]

While the Government continued to call for the production of low-cost housing, there were reports of hundreds of high-priced houses standing vacant throughout the country. The president of the Auckland Master Builders' Association estimated that there were twelve hundred empty houses in Auckland alone. This total included home units. Significantly, he was reported as saying that "...there were many more homes unoccupied than at the corresponding time last year".[75] Builders, in spite of the Government's warnings and financial policies, had continued to build high-priced homes. Presumably they expected that the Government would eventually feel obliged to change its attitude and inject sufficient finance into the mortgage market to enable them to sell these homes. Those fortunate enough to have strong financial backing were prepared to wait the Government out, working on the premise that 1975, being an election year, would see an increase in the availability of finance. However, the president's comments did indicate that important changes had occurred in the market.

> Last year a builder would not put a property on the market until the last possible moment to ensure he got the highest price out of the upward spiral. Now homes were being put on the market as soon as it was practical to offer them for sale...[76]

For the Government this was good news. It suggested that its policies were having some influence in reducing the scope for large profits. Headway was also being made in other directions as well. By the end of August certain savings banks were reporting a high increase in home loans as a result of increased savings during the

previous eight weeks and the reduced amount the banks were required to invest in Government stocks.

Ignoring these developments, Opposition M.P.'s condemned the Government for forcing "builders of quality homes" to leave the building industry. One M.P. also observed that, "Solicitors trust accounts, a traditional and major source of money for mortgages, could not refinance existing mortgages, let alone provide funds for new mortgages". Such comments did not upset the Government. Countering them, the Minister of Housing noted that a Law Society spokesman had said that, "People are still prepared to lend on mortgages for housing".[77] In addition, both the general manager of the Auckland Savings Bank and the Northern Building Society had said that their institutions were still lending. As for "builders of quality homes", they continued to have a very low priority. In response to a question put by the Opposition spokesman for housing, the Minister of Housing said: "In a general situation of shortage of investment funds the limited resources of the Housing Corporation must be channelled to those the Government considers should have priority, and most of the empty houses around Auckland to which the honourable member refers are not within the category normally purchased by such people".[78] He also noted in regard to the statement made by the president of the Auckland Master Builders' Association that estimates given to this organisation concerning the number of vacant houses in Auckland had ranged from 300 to 3,500 and that the president had been reported as saying: "No one really knows".[79]

During this time the Minister of Housing announced that the Government was proposing to make sections available at approximately six thousand dollars each. He was reported as explaining that "...the Government

had embarked upon a very large scale purchasing of land and intended to compete against private speculators in Auckland" and that "... 500 ,000 dollars a week was being spent by the Government in land purchases in Auckland".[80]

Although the Government was persisting with its battle against property dealers, certain companies were still heavily engaged in the development of expensive sections. They had devised schemes by which they could offset the decline in section sales to builders. These schemes, which the chairman of Broadlands described as involving the "sales of other types of land",[81] made it possible for people with limited financial resources to acquire sections. For example, at the beginning of September, Broadlands Estates Limited advertised the following:

> A brand new release - 15 magnificent sites with unexcelled wide sweeping water views, overlooking Half Moon Bay Marina and beyond to the islands of the Gulf.
>
> Each lot has access and title to its own water garden.
>
> These magnificent sites are realistically priced and all finance is arranged from 10% deposit.

This kind of low deposit deal was creating a great deal of concern for the Government. The terms of sale made the sections very expensive and thus had the consequence of perpetuating high land prices. Not only this, but people, particularly young couples with limited financial resources, were being enticed into contractual arrangements which could cause them hardship and eventual financial loss. In a few weeks the Government would attempt to counteract this activity with a land programme of its own.

The Broadlands scheme illustrated the ability of some companies to arrange their activities in such a

way as to secure their interests in the property market. Ironically enough, these companies were also worried about the ability of people to meet their financial obligations under the low deposit scheme. This, however, was no reflection of a sense of responsibility to, or a concern for, these people. Neither were the companies worried about financial losses to themselves resulting from defaults. Such losses were covered by contingency funds and insurance. Their concern was strictly a market one as is illustrated in the following comment:

> Directors wondered whether there may be a large number of defaults under agreements, which even though the company would have been adequately covered financially, would have resulted in more sections coming onto the market in opposition to new releases. In the event, I am pleased to say this did not occur - some settlements have been delayed, but the proportion is small overall. Arrears of instalments under agreements are negligible.[82]

Nevertheless, there was evidence of a fall-off in the sales of expensive properties. Some property dealers had decided to withdraw their properties from the market in the hope of being able to last out the finance shortage. In addition, as in the case of commercial construction, companies were finding it necessary to postpone some of their development projects. Assessing the situation, Mr J.G. Russell observed:

> Funds for commercial property projects have been effectively chopped off from most institutional lenders. Even those developing blocks of land for residential sections are having difficulty in funding their activities. Accordingly, profits will not be good unless the developer concerned has long-term finance which will allow him to ride out the present liquidity shortage. Property developers in this

> fortunate position will do extremely well because the fueling-up of inflation which is going on at the moment will see their property values escalate to an unprecedented extent over the next few years.[83]

Property investors were keeping a watchful eye on the Government and attempting to assess what direction its policies might take. With careful planning they might be able to turn the current situation to their long-term advantage. Mr Russell issued a warning about the ways in which the Government might try to make life even more difficult for property dealers.

> ...there is a distinct possibility that some direct Government intervention in the property market could take place as a result of Budget provisions. This could possibly take the form of controls on the profits to be made from property development, and if such is the case it is likely that property developers could have their returns very substantially diminished. This is likely to result in properties being withdrawn from the market and an increased use of Government appropriation of land under compulsory provisions. Those who can maintain their holding in such a position will be rewarded in due course.[84]

Discontent with the Government continued to grow among those with property interests. Land developers, both those with secure lines of finance and those in grave difficulties, were joining with 'spec' builders, some of whom were reported to be verging on bankruptcy, landlords, land agents, and so on, to apply collective pressure on the Government.

At the end of August, a public meeting was held in Auckland to establish a "property investors 'and landlords' association". Apparently such associations were already operating in Wellington, Christchurch, Invercargill and Dunedin. The organiser of the Auckland meeting was reportedly "...an Auckland landlord and the

owner of 'several hundred flats and some industrial properties'".[85] Among the guest speakers were the Leader of the Opposition, Mr Muldoon, and Mr R.E. Jones, managing director of the Robert Jones Group of Companies. The regional manager of the latter Group explained:

> Our major concern is about the antagonistic attitude of Government to property investors as a whole. It seems it's a crime to make a profit on an investment in land.[86]

The organiser provided this summation of the matters irritating property investors.

> We now have a whole string of measures to make it very difficult to own and invest in land...The Government has been kow-towing to pressure groups.[87]

He was also reported as saying:

> Speculation tax made doing a place up just a waste of money...
>
> The Property Law Amendment Act was one more irksome burden for the landlord to shoulder and landlords had lost the only measure they could take to protect themselves,...-the right to enter a flat and seize property.[88]

And:

> Bureaucracy is going mad and the Public Works Act is being misused to seize land, always for what is called the greater good...
>
> But we can be put up against a wall and shot for the greater good too.[89]

It was Mr R.E. Jones who, together with a number of other"property developers", founded the Capital Club . This organisation, which had large financial resources, worked stenuously to get the Labour Government defeated in the 1975 election. Mr Jones was to point out after

the election that the Club's strategy had been one of "laughing" Labour out of office. This helps to provide some insight into the sort of environment within which the Labour Government was having to work in 1974. The evidence suggests that its policies were upsetting some very powerful financial interests in the community. Dr Bassett was to observe: "The Capital Club was made up of property speculators, landlords, car dealers, and the occasional lawyer and insurance agent. The group continued to operate informally until the election and seems to have had as its main aim the election of a National Government, and the repeal of the Property Speculation Tax Act and of the new Section 88 of the Land and Income Tax Act".[90] The Leader of the Opposition, he also noted, "...was known to enjoy close friendship with some of those involved in the Capital Club".[91] Mr Muldoon was associated with a number of financial instruments involved in property investment and had recently accepted a directorship with Devon Investment Brokers Limited. Devon operated on the principle of "arranging" loans between investors and borrowers in the field of residential and commercial property mortgages.[92] As a "broker" the company did not come within the scope of Government controls over interest rates and so on. Also during this period the Leader was issuing public warnings about the dangers inherent in the Government's proposed superannuation scheme. It would provide a future Labour Government, he argued, with the finance necessary to nationalise all land.[93]

Mr Jones was a continual and vocal public critic of the Labour Government, seeing it as a threat to the normal working of the property market. He observed:

> This was seen last year in the traditional socialist attitude to property; that attitude assumed a lot of unethical behaviour.

> But we live in highly inflationary times and cannot help but make fortunes in the property business.[94]

At the same time, he argued, it had been the "ignorance" of the Government which had allowed him and other property dealers to do so well financially over the preceding year. Referring to industrial property he explained:

> When, like last year, there is a lot of activity on the property market we consolidate; when it is dreary we move in. The industrial property buying situation is now becoming ripe.
>
> The Government, in its ignorance, last year put the kybosh on traditional institutional property buyers. Now we have virtually got the field to ourselves.[95]

Mr Jones estimated, in May 1974, that his Group was comprised of about forty investment companies and described it "as immensely bigger than most New Zealand public companies".[96] The Group's net assets in New Zealand and Australia were about $7 and $5 million respectively. In both cases the Brierley-Jones Group had sizeable ownership interests. The following provides insight into the way in which the Jones Group operates:

> In Sydney, for example, the group is offered perhaps a dozen buildings a day. It sits back and waits until the seller agrees to its price.
>
> Then on a down payment of about $10,000 and a contract to pay the balance within six months, it walks in and gives the building a spruce-up.
>
> Particular emphasis is placed on the manager's office, which gets deep carpets, wood panelling, a chandelier. All impress a potential tenant or, more specifically, the man who makes the final decision and who wants to sit behind that desk.

> As a result, a much higher rental than the building previously commanded can be obtained.
>
> The next step is to get a new valuation on the building, with the higher rental being an important factor in the valuer's mind.
>
> With the building at a much higher value, a mortgage is then raised on it to pay the original seller and the same process is repeated on another site. Sometimes there is even a cash balance left over from the mortgage.[97]

Included among the associations which had been formed to make representations to the Government was the North Shore Builders and Allied Trades Association. Interestingly enough, while this group was unlikely to have any impact on the Government, it also failed to get support from the Auckland Master Builders' Association. The latter, the N.B.R. observed, while acknowledging that many members of the new association were also members of the Master Builders' Federation, was not going to align itself with a group which also included sub-contractors, land agents and speculators. Referring to these individuals, the president of the Auckland Master Builders' Association was reported as saying:

> Such people pay high wages, poaching men from other jobs, they pay cash to the merchants, and so are preferred over contract builders when materials are in short supply.[98]

He was "...also critical of the shoddy work many speculators leave behind". Apparently putting the position of the builders, the Review explained:

> ...if the Government expects these builders to move into state house construction, it will be disappointed.

> The builders and many of their tradesmen are more likely to leave the industry.
>
> The builders' problem is that they cannot accept either private or state contracts across the bridge and be competitive. The extra expense of travelling time would simply put them out of the market.
>
> And no state house is going to be built on a $12,000 section.[99]

In addition, the Review observed that the builders "...aren't having much success in unloading their properties to the State Advances Corporation". The following information was provided:

> Most of the houses are in the $35,000 to $50,000 range, and the flats and town houses are priced upwards from $15,000.
>
> The cheaper ones often have only one or two bedrooms, while the S.A.C. wants three-bedroomed homes.[100]

It was also observed: "The North Shore is one area where the shortage of mortgage money has had most effect, and no other suburb has such housing development on a similar scale".[101]

While builders in this area may have worked themselves into a speculative bind, the Government had no intention of rescuing them on their terms. The Auckland manager of the S.A.C. was reported as saying "...the Corporation might be interested when the prices come down".[102] Indeed the Government was already engaged in confidential discussion with large development companies over possible land purchases.

A "buyer's market" was developing. For the Government, which had increased the allocation for land purchasing, conditions were becoming very favourable for hard bargaining. Fast reversals in the country's economy had been paralleled by changes in the property

market. Instead of large financial interests being able to dictate market prices, the Government was now acquiring the initiative. Over the next few months, as the advantage was driven home, there were cries of "unfair" dealing. More will be said of this later in the analysis. Suffice to say at this point that the Government showed no compunction in purchasing land at the best prices possible. The Housing Corporation was to report:

> Sufficient raw land has been purchased over the last 2 years to provide approximately 23530 sections. This high degree of activity has resulted in a record 1668 hectares being acquired this year with a potential yield including developed sections of approximately 15351 unit sites, including 4290 unit sites at Rolleston. The economic climate has afforded the Corporation an opportunity to acquire land in bulk at reasonable prices and the resultant savings will be reflected in the disposal prices of developed sections.[103]

The Government's land purchases involved large companies now interested in disposing of a portion of their holdings. Broadlands Estates Limited, for example, had approached the Government with an offer to sell four blocks of land in Auckland. Both parties remained close-mouthed about the nature of the discussions but it was reported that the Government had already purchased two blocks of land and were negotiating the purchase of the remaining two. The general manager of the Broadland's property division "...described the move to sell off the land to the Government as 'normal business'", and "I can say nothing more, except that the Government needs land for housing, and we have land available for this purpose".[104] Much to the company's embarrassment, however, rumours had begun circulating through the financial system that the sales reflected financial difficulties in the Broadlands Dominion Group. This

brought strong public denials from the Board. "None of these rumours has any foundation whatsoever", and: "Like everyone else in the current economic situation, Broadlands has to manage its liquidity carefully. It has done so in the past, it is doing so now and will continue to do so".[105]

The company may not have been in serious financial difficulties but its interest in disposing of land revealed the growing liquidity problems facing a number of companies that had pursued a policy of heavy investment in property. The Government's willingness to negotiate land purchases and associated development proposals provided a good opportunity not only to restore liquidity and a balance of investments but also to obtain housing and development contracts for subsidiaries. Selling land to the Government appeared to have been a profitable business for Broadlands. Referring to the sale of the "major portion" of the company's "Westharbour land holdings" the chairman reported: "Although the consideration involved a large sum, this particular sale was in the ordinary course of business, and Broadlands Property Division remains involved as contractors, as development planners and as owners of the commercial area".[106]

Importantly, the decline in property sales and tighter liquidity was not viewed by some companies as reason to reduce investment in the production of "quality sections" and to redirect investment into the type of low cost development for which the Government was prepared to provide a virtually guaranteed market. Quite the reverse, such companies as Broadlands viewed the situation as providing an opportunity to consolidate their positions in the high-priced market which was likely to improve in an election year. The Broadland's chairman commented: "This year's slowing of sales, while having a significant effect on profitability has allowed us to catch up to some extent on production targets. This has been

assisted greatly by the purchase of a contracting firm which will enable the Division to control its development programme much more efficiently".[107] He went on to say:

> The purchase of large areas by the Government and last year's reduction in development expenditure by many firms has meant that high quality sections have become a much scarcer commodity than they were a year ago. With a slight easing of the tight mortgage money situation, we are confident of the value and saleability of our land.[108]

Meanwhile supply problems had emerged again as a topic of public discussion. The Auckland Subdividers' Association was predicting that shortages of materials, such as concrete pipes and road metal, would inevitably lead to a slowdown of State house construction. The Association's chairman referred to one example of an "...Auckland contractor ... seeking to withdraw from a subdivision contract because of difficulties in getting materials".[109] Subdividers were also blaming, once again, the "excessive standards" of local authorities for contributing to the "slowdown". The executive director of the Master Builders' Federation also expressed concern about local authority planning standards. He was reported as saying that he:

> ...would like to see maximum standards set by local authorities. Standards that the developer could fall short of as long as safety was maintained.
>
> At the moment, excessive standards imposed by the authorities do little more than put up the price of subdivisions, and so the cost of housing.[110]

According to the N.B.R. the B.I.A.C. had "...recently asked builders for examples of the problems they are having with local bodies..."

> Once armed with that information B.I.A.C. hopes to be able to present a committee of inquiry with a case for changing the

> regulations governing the building standards by local bodies.[111]

Apparently the Minister of Works and Development had agreed to the enquiry and, according to the article, the Minister had received a request from the B.I.A.C. that one of its members be appointed to the committee responsible for carrying it out. The reporter observed:

> Until the request is answered, developers will continue to find the authorities asking them to bring their roading standards in a cul-de-sac up to the standards on a main thoroughfare.[112]

The Minister of Works and Development had, in fact, just refused a request from a joint committee of the Municipal and Counties associations to introduce legislation which would have the effect of binding the Crown to local planning schemes and by-laws. The general secretary of the Counties Association was quoted as saying that, "Local bodies are becoming increasingly embarrassed by Crown activities in their districts which often begin without warning"; and: "We sometimes find a building going up in our area that we were completely unaware of".[113] The Minister took the position that "...if the Crown conformed to local planning schemes it could mean wasteful expenditure, since building by-laws are not uniform throughout the country and Government designs are".[114] Pointing out that the Ministry's building standards were "at least as high" as those among local authorities, he said: "I am satisfied that there are good reasons for continuing the present arrangements". There were "good reasons" why the Government was not prepared to accommodate the associations; however, these, as will become clear later in the analysis, had little to do with the question of whether or not M.O.W. and D. projects were of an acceptable standard in relation to local authority by-laws. Suffice to say at this point that the Government was finding it increasingly expedient to circumvent local authority

policies whenever possible.

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CHAPTER EIGHT

THE NEW PHASE

By September the Government was in a position to streamline its procedures over building contracts. Cost limits on houses financed by the Housing Corporation "could now be increased by $500 where a builder would quote a firm price". This eliminated the need for cost escalation clauses in house building contracts and provided greater protection for home buyers by making it clear what the final cost of construction would be. It also provided builders with an avenue for exceeding H.C. cost limits. For example, in Wellington where the limit was $25,000 a firm quote would allow the builder to construct to a cost of $25,500. To provide more mortgage assistance to families the Government increased, on September 23, the income limits for family benefit capitalisation and H.C. loans. As well as increasing the income criterion for those who wished to take advantage of capitalisation from seventy-five dollars to eighty dollars per week the Government explained that overtime earnings would not be taken into account, a departure from previous policy. In addition, the income limit for three per cent H.C. loans were increased from seventy dollars to eighty dollars per week,and for 4½ per cent loans from seventy-five dollars to eighty-five dollars per week.

Also in September 1974, the Minister of Housing, Mr Bill Fraser, was replaced by Mr Roger Douglas. The N.B.R. reported:

> When Prime Minister Bill Rowling was asked whether the transfer of responsibility was a demotion for Fraser, he replied that the Government 'had no reason to be satisfied with the progress to date', but that it understood Fraser's problems.
>
> His statement left a strong aftertaste of criticism of Fraser's performance...(1)

Elsewhere the Review observed:

> Indeed, while the private sector responded to the Government's election promise to ensure every New Zealander is adequately housed and built more than 30,000 homes in 1973, the number of State units built actually dropped.
>
> Further,the Valuation Department's annual report showed a 34.5 per cent increase in the house price index for 1973 - the biggest in the past fourteen years.
>
> The section price index increase was higher still - from 16 per cent in 1972 to 44.09 per cent last year.
>
> And in Fraser's time - for various reasons - the State Advances Corporation waiting list increased from about 12,000 to 17,000.(2)

So after two years of struggle the Labour Government had been unable to resolve, or even ameliorate, it might appear, the country's housing problems. The responsibility for this lack of success, however, was not entirely that of the first Minister of Housing or for that matter of the Government itself. With virtually no co-operation from builders, who with the support of a variety of financial intermediaries had engaged in extensive speculative activity, it had proved impossible to satisfy State rental and low cost housing needs. The Housing Corporation pointed out that the Government's difficulties had resulted from a combination of "buoyant economic conditions" and "...investment on a speculative basis by other than traditional building sources and a widespread uptrading in homes, both related to capital gain and the assumption

that inflation would permit the servicing of increased indebtedness".[3] On the last point it observed: "In the event, the severe downturn in the terms of international trade and the thrust of inflationary pressures contributed to economic uncertainty and a withdrawal of capital from the mortgage market". Summarising the Corporation said:

> The combination of these conditions contributed to an oversupply of speculatively-built, overpriced, unit-type accommodation, notably in Auckland but in other cities as well. The pressures on the property market in the major centres pushed up the price of new housing well above the cost justified by actual increases in labour and materials, while many home purchasers, including those who traded up into more expensive houses, were caught with temporary and quite unsuitable financial arrangements.
>
> Against this background and a severe shortage of serviced sections, together with some shortages of materials, the housing market reflected considerable overheating.(4)

The New Minister

The appointment of a new Minister of Housing was unlikely to provide an answer to the Government's housing troubles. The B.I.A.C. had completed another examination of the housing situation and arrived at the "unanimous" conclusion that "...in the short term there is no hope of meeting the housing needs of the lower income groups".[5] Migration inflows, a shortage of serviced sections, and limitations on labour, skills and materials were seen as major obstacles to any rapid increase in the production of low cost housing. The Council commented:

> Although Government has expanded its state rental programme and has made provision to increase the flow of funds to those building their own home through loans from the S.A.C., Council estimates that increased output in terms of additional units for those on modest incomes, will be small. It will be some years before the new impetus in the state rental programme has much impact on the large and urgent waiting list for state rental units, and at best the additional funds through the S.A.C. are not likely to

> do much more than restore the advantage lost to the lower income groups over the last two years.(6)

But the Council's analysis, although emphasising some of the more immediate and perhaps resolvable problems facing the building industry, did not ignore the impact which speculative investment in property had had in undermining the Government's housing programme: "Council is of the view that the rapid increase in waiting lists for state rental units is really a reflection of the inability of the S.A.C. to carry out its traditional role of financing the lower income groups into their own homes during a period of unprecedented cost rises for property".[7]

The Opposition was not sympathetic. The "sacking" of the Minister of Housing, as the Leader of the Opposition described it, was, in his opinion, simply an attempt by the Government to find a "scapegoat" for its "inefficiency and inability to deal with economic problems".[8] He was reported as saying in Parliament that:

> ...in his fourteen years as a member he had never seen more distressing cases of people wanting houses than now.
>
> Around Auckland there were hundreds of empty houses which people could be living in, yet builders were going bankrupt because they could not sell them.
>
> Deposits required were growing faster than people's ability to save money.(9)

In response, the Deputy Prime Minister was said to have remarked:

> ...the vacant houses were being held till builders - who built on spec - could get their price.
>
> 'I believe some have inched (their price) down to something a little under $40,000.
>
> People could not even afford to walk up the garden path of such expensive houses'.(10)

While the Opposition was anxious to rescue the 'spec' builder and, in so doing, indirectly to increase the supply of moderately priced houses, the Government intended to hold its ground. Under no circumstances was the Government prepared to assist 'spec' builders at the expense of those in need. This attitude the Opposition spokesman on housing described as being "doctrinaire rather than realistic".[11]

The Opposition spokesman on housing, Mr Gair, elaborated on his criticisms of the Government's policies. Referring to statistics, Mr Gair observed that during the previous June the number of building permits issued was five hundred lower than for the same month in 1972. He noted:

> The money value for June permits was up to $18 million on last year's $80 million, but when allowance is made for the almost 40 per cent increase in house building costs in the year to this June, the building permit value issued in constant money terms shows a true decline of 18 per cent.
>
> What it also shows is that the average value of a permit for a house in mid-1973 was $14,872, and that by mid-1974 it was up 27 per cent to $19,007.(12)

There were, he also commented, about $200 million worth of houses and flats standing vacant around the country.

> Until mortgage money is available so that prospective home buyers can purchase these dwellings, few builders can extricate themselves from the medium-price home building field to concentrate on lower-cost building as the Government would like them to do. (13)

On the topic of State construction, Mr Gair asserted that under the previous National Government houses and flats in this category had reached four per cent of all building activity. This figure had dropped to three per cent in the

year to March 1974, and fallen again to two per cent in the three months to June. At the same time, from March to October, practically all sources of mortgage finance had dried up except from the State. He was also highly critical of the Labour Government's general mode of dealing with the building industry.

> It was evidently the Government's belief that by belting the land speculators and hammering those who would build homes bigger than 1500 square feet, and flats bigger than 1000 square feet, and by threatening to import 2000 low-cost homes, it could dragoon the industry into doing its bidding. Clearly Labour's responses were doctrinaire rather than practical ones.(14)

He pointed out that building controls "...inasmuch as it was effective - only tended to increase the price of the larger homes and flats"; that the speculation tax had caused land shortages and price increases; that "The threat to import houses had disappeared as the pipe dream many suspected it was all along"; and that it would take time to develop the promised six thousand dollar sections. Concerning the last point he remarked:

> As the Government is not able to offer an adequate number of sections immediately it has resorted to asking builders to provide their own sections again. This means that the wheel has turned full circle, and the Government's policy is back to square one.(15)

In a similar vein, Mr Gair explained that he had been "...frequently amazed by the constant disparaging reference made by the previous Minister of Housing to what he termed 'spec' builders". However, recent Government policies had recognised the importance of, and contribution made by, 'spec' builders.

> In fact, the Government is clearly trying to build its own quota of houses and flats by buying from spec builders - a perfectly sensible move with which I have no argument. But the hypocrisy of the previous Minister did annoy me.(16)

Summing up, Mr Gair observed:

> The Government's housing policy will move ahead far faster and far better when it learns that private enterprise can be encouraged, but it doesn't respond well to bullying.(17)

The number of building permits continued to drop. In August there was a decline of 800 compared with the total achieved in the same month the preceding year. But the overall value had risen from $99.6 million to $111.7 million. At the same time the waiting list for State rentals continued to grow.

The Government continued to look for ways of increasing the output of the building industry. On October 3, the Minister of Housing announced the commencement of "a new type of package deal with private builders". Under this new scheme the Government would provide "...financial backing for large land development and housing projects in areas of special housing need".[18] The Minister explained:

> Some of the houses produced will be for State rental, some will be sold by Government on a one-mortgage basis to first-home seekers, and some will be sold by the builder to private clients. Some sections will also be sold to the public for houses of their own design.(19)

The first "pilot scheme" was to be initiated in Whangarei. The Minister explained the Government's plan in the following way:

> We aim to use whatever building industry capacity is available by financing development on a scale that builders couldn't contemplate using their own capital. With Government backing and progress payments, local builders will be able to realise their full potential and make a rapid impact in problem areas.(20)

The above scheme was followed by an announcement at the beginning of December that the Government intended to purchase a 25 per cent share in Industrialised Building Systems Home Development. This investment was aimed at promoting modular housing construction. In a press release the chairman of the National Housing Commission observed that this new venture would provide the following advantages:

> Enable young families to start off with a small home satisfying their immediate needs, adding to it later as their means and families grew.
>
> Reduce the long-term drain on limited supplies of skilled labour.
>
> Open up export possibilities for a product designed by New Zealanders, built by New Zealanders and using New Zealand materials.(21)

This was clearly an effort to provide a long-term solution to the pressure on building resources. It was also seen as a way to produce less costly houses. The chairman of the board of I.B.S. said: "In Auckland, for instance, we estimate a saving of 12 to 15 per cent over conventional housing on recent prices".[22] While the company would compete on the open market for contracts, the Minister of Housing noted: "The Government involvement will ensure a long-term supply of buildings for such purposes as project housing, pensioner housing, schoolrooms and State rental accommodation".[23]

The Government's decision to invest in I.B.S. brought

immediate criticism from building suppliers and other sectors of the building industry. A.R. Turner and Company (N.Z.) Limited was reported to have told the Minister of Housing that his Government's action "must surely be detrimental to the New Zealand building industry as a whole",[24] and: "The backing by the Government of a modular-type house against conventional New Zealand methods may result in a fall-off of market availability for conventional housing and a resultant lowering of demand for traditional materials, methods and labour".

By this time large construction projects were beginning to feel the financial squeeze. Work had been suspended on a partly completed shopping centre at Mt Maunganui and a planned extension of the Chartwell shopping centre in Hamilton was deferred. The shortage of finance rather than deferred decisions from the building programmer's office appeared to be the reason for the slowdown in commercial building activity. Government directives to insurance companies were having an effect on such companies as Fletchers:

> We have traditionally looked to the major insurance companies for the funding of our larger commercial and office developments. Government directives have now closed this avenue of financing indefinitely and we have a number of major projects shelved for lack of investment finance. Committed finance will enable volume in this field to be maintained over the next twelve months, but the outlook thereafter is uncertain.(25)

However, notwithstanding reports of finance shortages and the dire straits of building companies, announcements continued to be made of large property transactions and development projects. New Zealand Growth Securities Limited, for example, announced the purchase of a large property in Auckland upon which it proposed to build a $10 million international hotel towards the end of 1975. The same company also obtained approval during this time to build a twelve-storey office block in Auckland.

Importantly, there was evidence to suggest that companies were by now being permitted to borrow on overseas markets to finance property developments. Associated Group Holdings Limited, for example, had taken this course to sustain its investment in property development and the wine industry.[26] Another company, Kelmac Property Consultants, had been given approval to use what was described as "easily the largest line of credit to have been negotiated by a private business in New Zealand". Involving sixty-eight million dollars the loan was to be invested in agricultural, pastoral, commercial and housing development.[27]

Reports continued to be made of the distressed circumstances of builders. The president of the New Zealand Master Builders' Federation observed that, "The New Zealand building industry was now in a critical situation with some builders already facing liquidation because of the severe shortage of loan money..."[28] He was reported as saying:

> Some builders in New Zealand were already in liquidation and others faced major problems because of slow payment by lending institutions, including the State Housing Corporation. Many builders could not pay their immediate outgoings and this was having an effect throughout the industry.
>
> The Government had claimed that contractors who had built what it termed were 'spec houses' had not read the market correctly when they found they could not sell them, but...this market depended on how the Government manipulated loan finance...(29)

Having blamed the Government for the difficult circumstances which small builders now found themselves in, the president pointed to the preferential treatment being given to the large companies and the growing threat of "a Government-controlled and financed building industry":

> At the moment, the Government's attention appeared to be aimed at the volume - housing companies and while the federation did not complain about this, it was concerned for the many smaller firms who build a considerable quantity of homes in New Zealand each year.
>
> The State was the only institution lending on homes to any extent and...his federation believed New Zealand was rapidly moving toward a Government-controlled and financed building industry, to the detriment of the country.(30)

Such statements as the above were unlikely to be treated seriously by the Government. To put forward the advantages of the free market when Government policies favoured the private interests of 'spec' builders, as they had done during 1973, and then to talk of "control" when policies were changed to their disadvantage was not a convincing line of argument. Neither was the suggestion that private interests were commensurate with the country's welfare going to receive any more sympathy. Through bitter experience it had been learned that the possibility of making speculative profits far outweighed any consideration for social objectives. In a strongly worded statement the chairman of the National Housing Commission observed that, "Business and commerce desperately needs a social conscience on the major issues of housing and community planning" and "...had failed almost entirely to examine its contribution to the well-being of the ordinary New Zealander".[31] Referring to the directors of financial institutions he went so far as to suggest that there should be greater public scrutiny of their "personalities and background". "Are they the proper people to make decisions which affect our communities in a vastly more significant way, very often, than central or local government?"[32] Although the Government refrained from making similar comments, it was not going to be taken in by arguments that given an opportunity to sell their 'spec' houses, builders would gear-up for low-cost construction. These builders had

been thoroughly unco-operative in the past. There was no guarantee now that they would discontinue building high-priced homes with the support of a variety of financial intermediaries. In effect, Government was going to hold to its position. Since requests for co-operation were ignored and regulations made ineffective, then the "market", which had been the convenient justification for speculative activity, could in turn be reversed against speculators through tight control over the direction of investment.

It is perhaps ironic that the Government's increasing ability to control investment was not so much a consequence of its monetary policies, which had been so easily circumvented by financial institutions, as the country's declining terms of trade. The Prime Minister was at pains to point out that the general tightening of liquidity was not a result of his Government's policies but of the world-wide recession which was having serious consequences for New Zealand's trading position in overseas markets. Nevertheless, it was evident that this situation was providing the Government with the financial leverage it required to accomplish certain of its social objectives. As private money became more difficult to obtain, Government lending had grown in importance to such sectors as the building industry. There was now developing a greater willingness on the part of some builders to co-operate with the Government in such areas as the production of low-cost housing. In essence, what had been virtually impossible to achieve through regulation and appeals for co-operation during a period of economic prosperity was now becoming realisable at a time of serious economic difficulty. The degree to which the situation was working in the Government's favour was evinced by such comments as the following:

> ...house builders who once would hardly glance at the Government's ideas for low-cost housing destined for the low-income household, are now being forced into that work because they cannot sell more expensive homes - not for want of customer demand, but because of lack of finance. Some builders may not be able to make the transition and hence may go to the wall. Yet there is little evidence that the ordinary New Zealander lacks a desire to upgrade his housing. For the present he is not really short of income to do it, but is short of ready capital.(33)

Criticism of the Government did not extend throughout the industry. The opinions of some building representatives were not necessarily those of all the members of any one organisation or those of the representatives of other organisations in the industry. Indeed, it was difficult to determine, from time to time, whether the public utterances of certain individuals were representative of a general viewpoint or simply the complaints of certain individuals trying to protect their private interests. This was equally so for the real estate industry, finance companies and so on.

Many small builders, as well as larger companies, were only too pleased that during a period of economic recession the Government was managing to provide support for the industry. They were finding more than enough work to do in low-cost housing and State construction. Moreover, they were as anxious as the Government to see the demise of 'spec' building. As observed elsewhere,this activity had caused great difficulty for large and small builders alike by drawing away qualified tradesmen, increasing pressure on building supplies, bringing disrepute on the industry for poor quality work etc. Furthermore, while certain of the Government policies were of a temporary nature, others provided the basis for a framework within which long term planning and stability in the industry could be accomplished. The land purchasing programme fitted into the latter category.

Concern About The Future

In November the N.B.R. presented a somewhat different and, it may be argued, more realistic assessment of conditions in the building industry from that conveyed by what it described as "inspired newspaper reports". The Review's analysis indicated there was more to the situation than the possibility of several building firms becoming insolvent.

> ...a National Business Review Survey found that the builders in trouble are restricted to certain areas.
>
> The low-cost operator building for the Housing Corporation loan limits has no real problems.
>
> The ones in a fix are those who have built the $30,000 plus houses on spec and can't sell because loan money has disappeared.(34)

The Review's findings were supported within the industry. One builder was quoted as saying:

> Many builders were reckless last year and it's their own fault they are in trouble.
>
> They thought they could do the same thing this year as they did last year.
>
> Anyone operating within State Advances Corporation (now Housing Corporation) limits has no difficulties.(35)

It was also observed:

> This builder is finding the labour situation easier and materials becoming more available.
>
> He expects section prices will fall.(36)

Builders in the low-cost range were managing quite well. Larger companies too, such as Fletcher Developments had moved into this market. Commenting on the circumstances of small builders, a representative of Fletcher Construction pointed out: "Some builders have had to take lower prices

and suppliers have assignments over houses where the builder can't pay".[37] The Review's research also indicated that even the threat of a substantial drop in apprenticeships had been exaggerated.

> Last year's labour shortages were partly the result of falling apprentice intakes in previous years.
>
> This year a record number of apprentices were signed up.(38)

The B.I.A.C. voiced some concern about building suppliers having to cut back, but the Council's assessment was generally optimistic:

> Nevertheless strong demand is expected to continue in high priority building categories such as housing for the low income and pensioner groups, school buildings, hospitals and factories. The basis for future expansion and growth has already been set by high levels of investment in new production facilities during the last year. While our ability to make the most of these new facilities depends largely on a favourable economic climate, and there is cause for concern over current economic trends, Council believes that the long term prospects for the building industry are good.(39)

Despite optimism from the B.I.A.C., building industry spokesmen continued to express worry about the future. Most of their comments were part of the normal process of applying pressure on the Government to secure the industry's long-term interests. The retiring president of the Auckland Master Builders' Association pointed to the failure of the Government "...to announce its programme for State Houses beyond March 31".[40] Explaining that,"All builders are facing 1975 with apprehension", he commented: "This is becoming intolerable, as it prevents the planning so necessary in our industry for builders and suppliers". Referring to commercial construction he said: "Up to $100 million worth of commercial building has been deferred in

Auckland because of financial difficulties or inability to let space". This figure, according to the N.Z. Herald, comprised an "actual figure" of fifty-seven million dollars and an estimate of forty-six million dollars which architects believed represented the value of work likely to be deferred because of "financial uncertainty".[41] To relieve the difficulties of builders the retiring president suggested that the Government should "...bring forward some of its own building plans and ensure that adequate finance was available", also that since "...many medium and high-cost home builders were having a difficult time and, as lack of finance had long since superseded the need for controls, building programming should be abolished".[42]

A month later the president of the Auckland Master Builders' Association publicised the results of a survey of fifteen commercial builders in Auckland. These substantiated, in his view, that serious unemployment was about to develop in the industry. He noted: "We have several firms who will have to put men off at Christmas. There is less than two weeks to go, and blokes do not know what they are going to do in the New Year".[43] He also noted that "...10 commercial firms have tendered for a single relatively small job and 14 have tendered for another".

To emphasise the seriousness of the situation, the New Zealand Building Industry Confederation arranged for a deputation to meet the Ministers of Finance, Housing and Works and Development. The president of the Confederation, who was also a member of the B.I.A.C. and president of the Waikato Builders' Federation, was reported as saying that "...Hamilton builders were suffering from a serious shortage of work", and:

> If the situation didn't improve, they would be forced to take either of two alternative measures - reduce hours, and already there was a nation-wide move to eliminate Saturday work - or lay off staff.(44)

In addition the Confederation was concerned that "task forces" which were promised at the time of the establishment of the Housing Corporation "...to investigage the problem areas - two in the North Island and two in the South Island", had not eventuated.

> Details of the teams' itineraries and terms of reference were to have been available before Labour Week-end, but despite two approaches to the Government no word had yet been received.(45)

The deputation, it was reported, had as one of its objectives the "...launching (of) a review of the state of the industry - 'and getting the Government to take some action'".[46]

The Waikato Council of the Building Industry also produced a statement. It noted:

> It is well known that the Government has to try to fulfil its election promise to build more houses, and that next year they must be able to point to the number of new houses build and make political comparisons...
>
> However, if there is a real desire to cure the housing shortage long term, material and finance reliability would create all the incentive necessary, labour would return, and the industry would organise itself without artificial controls which will only create a new set of problems from Budget to Budget.(47)

Included in the Council's statement were recommendations to the Government for resolving the country's housing problems:

- Ensure that finance is available for the purchase of older houses.

- Take the lead in organising or encouraging the setting up of a materials brokerage system. Manufacturers, wholesalers and retailers of building materials could establish a system of information distribution listing available materials so that shortages could be predicted.

  'Time lost at present by all tradesmen searching the country for materials is phenomenal'.

- Provide the same incentive to supply building materials to the local market as there is to export them.

- Restrict the export of pre-build houses overseas to a minimum necessary to fulfil commitments. No new contracts should be entered into.

- Encourage local bodies to encourage smaller subdivision of land to make better use of design techniques developed for town houses and flats.

  'The desire for the quarter-acre section is a myth. There are those who prefer the quarter-acre section and those who don't and their desires change with circumstances...

  There should, in fact, be greater selection of housing types and sizes, and finance available to move - sell and buy - new and old homes'.(48)

These comments were similar to those made by the general secretary of the Carpenters' Union who expressed concern about what would happen to employment in the building industry after Christmas.[49] A deputation headed by the president of the Real Estate Institute had requested the Minister of Finance to make more mortgage money available and to consider "...the liberalising of various lending requirements and the creation of 'pioneer' tax privileges to encourage builders to concentrate on low-cost rather than luxury houses".[50]

Despite predictions of imminent crisis, there was good reason for the Government to play its cards carefully.

Several State house contracts, particularly in the Auckland area, remained unfilled. Under the "design-and-build" programme Auckland had been allocated 420 houses and by November, according to the N.B.R., only 260 plans had been approved. This, the Review observed, was "a long way short of the Corporation's expectations".[51] A similar situation existed in Wellington where just over 70 plans had been approved out of an allocation of 120 houses. In Christchurch and Whangarei, however, targets had been exceeded. In the former, nearly 250 plans had been approved, well over the 224 hoped for, and in the latter 23 approvals had been obtained, three above the allocation. The Review observed: "The Corporation will use the demand in these two cities to meet the national target". It was also observed that certain provincial centres had done well: Blenheim and Invercargill - 14 approvals; Timaru - 26 approvals; and Rotorua - 32 approvals.[52]

So while the "design-and-build" programme appeared to be progressing overall, builders in the country's two target urban centres had not responded as well as expected. In addition to this problem the Government was also experiencing difficulties with its "traditional" State housing programme. The Review observed:

> The construction of traditional state rental houses on a tender basis is lagging.
>
> The contract letting programme is only a quarter full, although the spring and summer months will see more activity.(53)

The director general of the Housing Corporation was quoted as saying that, "The old style of contract...had not kept up with recent trends in the industry and the economy", but that "...the number of contracts already let will boost the number of completions at the last minute".[54] He expected 1100 units to be completed by the end of March.

Under these circumstances, it may be assumed, the Government was not attributing too much importance to statements concerning imminent unemployment and the shortage of housing work, especially from Auckland. If anything,it made good sense to maintain existing constraints until current contract work had been taken up. As for its intentions after March 31, 1975, the Government was already formulating policies and intended to make these known as early as possible.

Towards the end of November 1974, there were rumours that the new Minister of Housing had submitted a "draft report" to the Treasury and the Housing Corporation for their examination. The report was supposedly the first stage of a "major overhaul" of housing policy. According to The Auckland Star,the Minister was intending to announce "further proposals...before the end of the year" and had "...appealed for information on the numbers of 'spec' built houses which are lying empty around the country".[55] The Star also observed:

> Political sources say the new policy will revise Government thinking on finance, section availability and State Housing.
>
> It is understood the Government may channel extra finance into housing next year to soak up unemployment and the Superannuation Corporation is tipped as a likely source.
>
> Housing has an attraction to the Government as it is labour intensive and a relative low user of overseas funds.(56)

The Waikato Times understood that the review could include an extension of the policy "...to rehouse some state tenants in home units to free the larger houses for families desperately needing a home".[57] It was"understood" that the State would build the flats "...rather than buying them in from private builders". And:

> Flats cost less to build than houses and the savings made in building home units to rehouse those in houses too large for their needs, and releasing the existing houses for families, could save millions.
>
> The review also looks at the problems and the needs of the private home building industry and stresses the need to promote a continuing increase in the number of houses being built.(58)

In the current year, the initial allocation of 6.5 million dollars for land acquisition had grown to 17.5 million dollars through supplementary estimates and the reallocation of other funds. In the previous year $6.6 million had been overspent by $1.4 million. By the middle of November, the Corporation had purchased two thousand acres, representing approximately seven thousand housing sites, at a cost of about eight million dollars. An additional 1000 acres were under Notices of Intent.

These acquisitions provided only a longer term solution to the section shortage. Most of the land had still to be developed. The B.I.A.C. saw the shortage of serviced sections as the most serious obstacle to the provision of low cost housing.

> ...the main problem in current circumstances is not so much the need to transfer building resources, as to over come basic resource restraint caused by a shortage of serviced sections. This problem has no short term solution because it involves the extension of local authority bulk services which have been delayed by lack of loan finance, and the supply of more concrete and asbestos cement pipes from local industries already working at full capacity.(59)

The situation was considered to be most severe in Auckland; however, information was coming to light which tended to give a better picture of the real nature of this so-called shortage. The general manager of the Waitemata Electric Power Board was reported as observing that "...there were 4500 vacant sections in the Board's

area to which underground electricity was available. Some of these sections had been lying idle for ten years".[60] The report of the "Property Roundsman" suggested that the convenor of a meeting the Minister was attending moved hurriedly to draw attention away from this statement.

> His statement produced surprise at the meeting...an Auckland executive who convened the meeting, said that obviously most of the sections - in the central areas - were too highly priced.
>
> The meeting was told there was a need for finance and electricity to be made first available where houses would immediately be built.(61)

A month later the "Roundsman" explored the situation in more detail. He learned from the general manager of the Power Board that, in addition to the 4500 sections serviced by underground electricity, there were probably twice as many vacant sections with overhead power lines. Moreover, all the sections had water and sewerage services. The high cost of the sections and the shortage of finance, the general manager explained, were two reasons why the sections remained vacant.

> Sections at Massey are on the market at $10,000 to $14,000 in the Glen Eden-Henderson area from $9,000 to $14,000, and on the North Shore generally at $15,000 to $34,000,...land at Kelston is very expensive and slow to sell.(62)

The general manager, as reported by the "Roundsman", also provided the following information:

> Much of the North Shore land is held by speculative builders (who presumably are unable to build because of economic conditions).
>
> Some of these sections are a long way from public transport and shops and have site problems. Brown's Bay sections which are wet with no view still have a $15,000 price tag...

> At least one developer is withholding some sections from the market and (the general manager) presumes this is to 'regularise' his income for tax purposes.
>
> Some people are investing in sections for capital gain or as a hedge against inflation. Young couples are paying off sections, to build first homes on, and older people own sections particularly on the Whangaparoa Peninsula on which they plan to retire.(63)

Despite the availability of hundreds of vacant sections with underground reticulation and the clear speculative intent of many of their owners, local authorities were being accused of creating a shortage of sections for housing by making unreasonable servicing demands on builders and developers. The managing director of Neil Housing, said:

> Community representatives do not care what the costs are. If the cost is $1 million a chain they say 'put it in'. Underground reticulation in all cases is something I frankly think the community cannot afford.(64)

He expected the Government to deal with local authorities standards if it wanted more houses of the low cost variety:

> ...it is time the Government, which, unlike local bodies, has to consider the social cost when people cannot get homes, took a firm stand on some local body requirements.(65)

Simply put, some builders and developers, particularly those who had tied-up their own and the country's resources in speculative ventures and were tapping the finance market to tide them over the economic recession, the "Speculation Tax Act", and various amendments to the "Land and Income Tax Act", wanted the Government to discipline local authorities at the expense of planning and servicing standards and the welfare of low-income people.

Thus, the Government was faced with a low cost section supply problem equivalent to that which existed with respect to housing. At a time when there was a need for low-cost State dwellings, and more low-cost sections, there were hundreds of medium to high-priced homes and high priced sections standing vacant around the country. Not surprisingly, the Government continued to move against land speculators and refused to come to the aid of 'spec' builders.

Further Moves Against Land Speculation

The Government moved again at the end of October to strengthen its hand against land speculation. This time it came in the form of the"Land and Income Tax Amendment Bill (No.3)". The Minister of Finance explained that although the "Property Speculation Tax Act" "...had some effect in dampening down overactivity in the property field...It did not substantially depress the total volume of activity in the property market..."[66] The proposed amendment was aimed at taking "...the speculative element out of property buying, of buying in anticipation of rezoning or redevelopment".

> ...the Government was concerned that quite often substantial profits were made by land owners through community created values and these profits were still not brought in for tax purposes. These profits might arise for instance from rezoning of land or the likelihood of rezoning or because of development of a particular industry or project in an area or even the gradual encroachment of a town or city. In these circumstances, as the community has in a sense increased the profits of the land owner when he sells, it is considered proper that he in turn should pay income tax back to the community on these profits.(67)

The Bill provided the Commissioner of Inland Revenue with the authority to tax land sale profits in cases where

"...within 10 years of acquisition of the land and the profit derived on sale is, in the opinion of the Commissioner (and this opinion, of course, can be subject to the normal rights of objection) increased to a significant degree by such factors as rezoning or prospects of rezoning, change in use of the land such as from residential to commercial, development of an industry or project, or extensions of city or town around the particular area".[68] It was explained:

> If the profit has been increased to a significant degree by these factors, the profit will be taken into account. However, there will be a deduction allowed of $1,000 for every period of 12 months or part thereof that the land was held between purchase and sale.

However the new provisions would not apply,

> If the land was originally acquired by the person who is selling for farming or agricultural or residential purposes and it is clear that the sale is made to another person who is to use the land for the same purposes and provided that the vendor can show adequate reasons for sale other than a profit motive.(69)

Criticising the Government for breaking its promise to introduce a capital gains tax, the Leader of the Opposition warned: "Everyone who can afford to hold this kind of property pending some change in the law will hold it, as happened on the introduction of the property speculation tax. With more property taken off the market property prices will be forced up again, just as they were with the property speculation tax".[70] The Leader also drew attention to the Bill's "retrospective" nature, the "discretion" it gave to the Commissioner of Inland Revenue, and the "element of uncertainty" which it would introduce into taxation law. As far as he was concerned "The Government lives in this world of airy-fairy socialistic theories", and the proposed tax was "an attempt to put impractical socialist theories into practice".[71]

Following this line of attack he accused the Government of moving towards the destruction of the free enterprise system: "Members of the Government are getting closer and closer to the rigid socialist state that some of them would dearly love to have in this country, where private ownership of land is outlawed and where the State controls business enterprise of every kind".[72]

Outside Parliament, there had also been criticism of the Bill. The Auckland Property Owners' Association voiced its disapproval. A member noted that the tax would not only affect rezoned farmland but also "... people who sell their rented property in a rezoned area, or who sell property for the construction of flats and units".[73] Commercial and business property would also be affected. He further observed:

> Many properties will be withdrawn from sale when owners realise how much tax they have to pay.
>
> There is also the danger of 'under the table' payments to compensate sellers for taxation.(74).

The Government, however, was not to be deterred from attempting to shut off another avenue for speculative gain. Much of the criticism was seen to be irrelevant and only a cover for the Opposition's real concern for safeguarding the interests of property speculators. The Minister of Finance denied that the Bill was introducing a capital gains tax, preferring to describe it as a "land betterment tax". The tax was limited to instances of "considerable profiteering",[75] and normal transactions, such as the sale of a home, would not be affected.

As in the case of the "Speculation Tax Act", the amendment was not intended as an instrument for increasing Government revenue but had the specific purpose of removing

another avenue for speculative profits through land dealing. That this was the case, however, did not prevent political controversy from developing over what the Government should do with any revenue which might accrue from the tax. The Minister of Finance observed: "...the Government would like to see some way of ensuring that any additional revenue which was gained under the measure was given to the appropriate section of the community if this were possible".[76] Among local authorities, whose own Association had recommended the tax a year earlier, this comment was not well received. They hotly criticised the Government's failure to incorporate into the amendment the principle that revenue from the new tax should be turned over to local authorities. This was viewed as only fair, particularly as local authorities often had to purchase land for community purposes at speculative prices created by their own decisions. That the Government had not incorporated this principle reflected, it may be assumed, not so much a problem as to how it could be administered as an unwillingness at that point to provide local authorities with a potential source of additional revenue. For the Government, continuing tight control over local authority expenditure was still a major factor in its battle against inflation. This was of no consolation to local authorities who now considered themselves the victims not only of speculators but also of a Government prepared to seek politically expedient solutions to a variety of problems through the deliberate subversion of local government interests. More will be said of this shortly.

But while local authorities felt victimised, the Government was moving on other fronts, including steps to dampen "uncontrolled" investment activity. In the latter part of October, the Minister of Finance told Parliament that the Inland Revenue Department "...is looking at the question of taxation on the profits on the buying and selling of commercial bills".[77] Investment in these bills,

he said, had "...distorted the investment market to a considerable degree". And:

> The banks and finance houses have complained of money being withdrawn from them for investment in these bills, which are returning somewhere between 12 per cent and 15 per cent, and which, in the hands of individuals, may well be tax-free at present. If they are bought and sold by firms or individuals whose business it is to deal, then, of course, they are liable to taxation; but where the money can be claimed as a single tax-free capital gain, obviously there is a strong attraction for money to be withdrawn from debentures or deposits in banks, and so on, and put into this area, thus putting up the price of money and shortening the supply of the more legitimate borrower.(78)

The Government moved, through the "Land and Income Tax Amendment Act (No.2) 1974", to strengthen taxation provisions on profits from commercial bill dealings. Section 5 of this legislation provided "...that on the redemption or disposal of a bill any excess received over the cost of the bill is assessable", and that, "If, instead of holding the bill until maturity, the holder sold it for more than he paid for it, his profit would also be assessable".[79] In the meantime the Commissioner of the Inland Revenue Department made it clear that, "Profits arising as a result of the acquisition of short term commercial bills at a discount are in all cases liable to income tax even under the old legislation and taxpayers, whether they are dealers or have only taken up bills in isolated instances, should include such profits in their returns of income for the year ending 31 March 1975".[80]

The Reserve Bank also took steps to dampen commercial bill dealing. On November 13, it convened a "lunchtime meeting" with representatives from sixteen of the country's

largest official bill dealers. According to newspaper reports the representatives were requested to:

> Cease dealing in bills for amounts of less than $20,000 an investor.
>
> Accept no property bills, or bills financing property.
>
> Limit syndications, or contributing schemes using small amounts from a number of small investors.
>
> Restrain the total level of the market to about its present size of $160 million in total outstanding.[81]

Apparently, it was hoped that by eliminating the small individual investor the market would be reduced by one quarter or forty million dollars.

The ambience of the lunchtime discussion is of particular interest to this analysis. Newspaper reports illuminated the approach taken by the Reserve Bank. Instead of using their authority to issue directives, bank officials had decided to "request" co-operation from the dealers. The Bank itself explained that it "...views the commercial bill market as a legitimate part of the financial system, but prefers at the present time to influence the market through informal consultative procedures rather than formal controls".[82] Nevertheless it was noted that "...there can be little doubt that (the) 'informal directions' will be heeded". Apparently the officials made it clear, without taking an openly threatening posture,that they were prepared to move more directly should an acceptable degree of co-operation not be forthcoming:

> Some dealers detected inferences that the bank was still examining other asepcts of the bills market - in which individuals have been able to secure short-term yields of up to 15 per cent on individual commitments of as little as $1,000 - and of the dealers involved.(83)

While the Bank's "requests" carried this implicit warning it was, as usual, prepared to take a flexible line with respect to the way in which they were acted upon.

> Confirming the request for a minimum $20,000 investment, the Governor of the Reserve Bank...said he hoped that dealers would regard it as reasonable and implement it fairly soon.
>
> Yet it was not a rigid rule for immediate implementation, he said, and exceptions might be made in special cases.(84)

Significantly, almost immediately after the meeting rumours began circulating about the likely counter-moves which private bill dealers would instigate to short-circuit the Bank's "requests".

> There was speculation last night that some dealers might revive small-scale syndication techniques but avoid commercial bills, as such, by devising new corporate funding systems.
>
> Short-term participating loans, might, by involving assets, elude both the Interest on Deposits Regulations and the latest inhibitions on bill transactions.(85)

However, the evidence suggested that dealers were unlikely to be troubled by "requests" to reduce their activities. Already there were signs of deterioration in the market. On November 9, it was reported:

> Commercial bill rates fell sharply last week, coinciding with some signs of revival in the sharemarket.
>
> Within the space of two days, on Thursday and Friday, many bills rates dropped by a full two percentage points.(86)

Broadlands later announced that, "In 1974 this Company's Directors felt that the bill market had grown large enough for the time being. A decision was made to limit Broadbank's involvement in that market, with the accent on quality rather than quantity".[87] Nevertheless finance houses continued, apparently in disregard of the Reserve Bank, to solicit funds for commercial bills. Commercial Bills Limited, a wholly owned subsidiary of Securitibank Limited, for example, indicated its willingness to accept "minimum" amounts of one thousand dollars for investment. Ironically, the promotional literature drew attention to the Government Insurance Commissioner and the State Insurance General Manager as being among the principal shareholders of Securitibank.[88] Other companies, such as Citicapital Securities Limited, began to promote commercial bills. In the case of this company, it was observed:

> The documents relating to investment in commercial bills make no distinction between trading bills (where the bill is financing specific goods), and accommodation bills (the provision of working capital without the backing of goods). The latter come within the Reserve Bank's guidelines for investment.(89)

It may be argued that the move to get co-operation from commercial bill dealers and other measures which had been used to influence the direction of investment finance were largely holding tactics to see the Government through to the time when it could implement its long-term financial strategy. Central to this strategy were to be the New Zealand Superannuation Scheme and approved private schemes. More will be said of this shortly.

The contributory mortgage market had also received the Government's attention. Legislative action was taken in the form of provisions attached to the "Insurance

Companies' Deposits Amendment Bill" which, together with the "Life Insurance Amendment Bill", was aimed principally at providing for "better administration of life insurance business within New Zealand".[90] Both Bills were based on work carried out by an interdepartmental committee established by the National Government in 1972. This committee, which was comprised of representatives of the Department of Justice, the Treasury, the State Insurance Office, the Government Life Insurance Office, and the Public Trust Office, was responsible for conducting a comprehensive review of existing legislation covering the operations of insurance companies. The second Bill increased the deposit requirement of life insurance companies from an amount which varied between ten and one hundred thousand dollars "to a fixed sum of $500,000 for any company proposing to commence life insurance business as from 26 July 1974". Existing life insurance companies were required to bring their deposits up to this amount through annual instalments over a period of five years.[91] The other Bill set the same requirement for all non-life insurers but was broadened to include mortgage guarantee companies, a move which appears to have been rather sudden and the product of what the Minister of Justice described as "inter-party parliamentary consultation" between himself and the Right Honourable J. Marshall following the committee stage of the Bill.[92]

The central and common concern about these companies was whether or not they were setting aside sufficient reserves to meet long-term contingent liabilities. Since their activities were not regulated by any existing legislation it was decided to bring them within the scope of the "Insurance Companies' Deposits Act" as an interim measure until special legislation could be introduced to "prescribe the ambit" of their operations. The Minister of Justice explained: "Little is known of the operation of these companies, and it seems desirable, in the interests of members of the public who have dealings with them, that they come under some form of official oversight".[93]

The above action was taken not in an attempt to restrict the growth of private mortgage companies but to provide some security to investors. The legislation was worded to give the Minister of Justice discretion to make "provision for a lesser deposit" should a company satisfy him "that its financial position justifies such an exemption".[94] This, it may be interpreted, reflected an unwillingness to take strong action against this type of investment activity even though it was contributing to continuing speculative property investment and helping to sustain high interest rates in the "uncontrolled" finance market. Presumably the Government had found it necessary to weigh these disadvantages against the need for sources of private mortgage loans. It may also have been sensitive about the consequences that tighter control might bring, the chief of which would probably be the development of new schemes able to operate beyond the limited control provided by the new amendment. As in the case of commercial bills, the private mortgage companies appear to have acquired the status of a useful "safety valve" in the finance market.

The amendments to the deposit requirements for insurance companies had also been introduced to protect the public. They were intended to prevent the incursion of high-risk takers into the insurance field. In explaining the need for the"Life Insurance Amendment Bill" the Minister of Justice said:

> We have some reason to believe that if the Bill were not made operative from today a number of organisations would have entered this field with inadequate financial equipment. Our information is that a group of people was poised to begin this type of activity, and it is only by introducing the Bill that we will be able to make it necessary for that group to prove its reasonable financial capacity before entering the field.(95)

National offered no opposition to the two Bills and even applauded the fact that the new deposit provisions would be implemented so as not to cause unnecessary financial difficulties for insurance companies. However, there was some expression of disquiet from Labour's backbenches. Dr Bassett put the following questions to the Minister of Justice:

> Has the Minister any intention of making further changes to the Life Insurance Act? In recent years there have been a number of suggestions about changes, for instance that there should be an insurance commissioner, that there should be some regulation of practices relating to the surrender of policies, and, moreover, that there should be New Zealand elected boards for overseas insurance companies. There have been questions relating to the A.M.P. company which does not have a New Zealand - elected board. Can the Minister tell the House whether he intends to bring in subsequent legislation that might deal with these and other matters?(96)

That the Minister did not answer these questions suggested that he was not proposing to bring forward any further legislation in the near future.

The Superannuation Fund

Despite its growing importance as a source of loan finance, the Government did not intend to abandon interest rate controls. The Minister of Finance commented: "...if you take off all controls and just make every would be borrower compete, that still doesn't guarantee that your market is going to direct its funds to where they are socially needful".[97] However, although monetary controls

were to be retained the futility of trying to regulate the financial sector through legislation alone was now recognised. To a question about whether he had "... plans to extend or to cut back the area where interest rates are controlled, vis-a-vis those that are uncontrolled", the Minister of Finance replied: "No, we see too many difficulties, the major difficulty of course being the inter-company arrangements, the private arrangements. A lot of the higher rates on these private deals would be very, very difficult to police".[98] A larger pool of controlled investment finance rather than regulation per se was now seen as the principal means by which the Government would be able to accomplish its policy objectives. It was in this context that the Government's message concerning the advantages of the New Zealand Superannuation Scheme, apart from providing an income-related retirement benefit, was being made more explicit. It would serve, the Minister of Finance observed, to "offset the effect of inflationary pressures which are exerted in any developing economy"; "to ensure a higher level of community savings", and, importantly, to dampen speculative activities.[99] On the latter point, the Minister of Finance said: "There will be a great deal more - stable non-speculative, and above all, New Zealand capital available for investment by New Zealanders for New Zealand".[100]

Significantly, the Superannuation Fund appeared to be emerging as the Government's key to re-structuring the mortgage market. Such re-structuring had now become a matter of extreme urgency in the view of such organisations as the B.I.A.C. which observed:

> From the industry's point of view the trend to non-institutional lending makes it increasingly difficult to obtain an even flow of work onto the housing market because decisions to invest private funds are made by numerous individuals making

> their own interpretation of the market. There are no 'investment rules' similar to those operating in institutional lending, or through lending agencies carrying out government policies. In present conditions this gives rise to an apparent contradiction between government policy which gives high priority to housing, and the inability of prospective home owners to obtain mortgage finance.(101)

The Council pointed out that 57.9 per cent (compared with 36.7 per cent of ten years before) of mortgage finance was coming from the "uncontrolled" finance market with solicitors being the most prominent sources. Mortgage money had become scarcer and more expensive, it was observed, because of the tight internal money supply and lucrative investment avenues such as short-term bills. In addition, since most private mortgages were being provided on short-term, a situation had developed in which between a third and a quarter of the total market was continually coming due for refinancing. This was having serious repercussions for the building industry.

> Since established borrowers usually manage to get first priority with available funds for refinancing, the volume for new building contracts, even more rapidly depletes if loan finance is in short supply. This is the reason for the current downturn in new building permits for the housing sector.(102)

In addition, the newsletter noted that even though the Housing Corporation had increased its lending much more money was required to offset the decrease from the private sector. It concluded:

> It seems that unless the structure of the mortgage market undergoes radical changes in the future, what we know as the 'stop-go' system is likely to remain a feature of the building industry, particularly the housing sector.(103)

Similarly the Housing Corporation commented:

> There is...no prospect of the State, through the Housing Corporation, assuming all the demands that are being made for financial assistance; what is needed is longer term and better quality finance than the market is presently able to supply. On the other hand, there are limitations in the Corporation servicing only one section, i.e. the lower-income groups in the community. However, if the Corporation is to service the other groups it will be necessary to look to other sources of finance - a question with wide-ranging financial and economic implications which is currently under examination.(104)

The examination initiated by the Government seemed likely to take account of the substantial increase in the supply of "stable" finance which the Superannuation Fund and approved private schemes would provide. The Minister of Housing, in line with the ideas propounded by the B.I.A.C. saw "alternative sources of longer-term finance" as being essential if the industry was to be insulated "...from the very rapid evaporation of non-institutional investment in new housing that can occur during credit squeezes".[105] An example of the way in which the Government hoped the Fund would be used to facilitate its housing objectives came in December with an Order-in-Council allowing it to invest with any permanent building society. This Order, which automatically applied to other superannuation funds and schemes, was aimed at increasing the amount of mortgage finance available through building societies.

There was also evidence to suggest that the Government was still paving the way towards a flexible interest rate policy. In December, the Minister of Trade and Industry announced that finance companies, trading and savings banks, life insurance offices, building societies and other financial enterprises would be subject to a ceiling on profits and controls on interest rates and other charges.

These measures were introduced as an amendment to the Stabilisation of Prices Regulations and were to be administered by the Reserve Bank. Under the amendment, a formula was set out by which it was possible to establish a "maximum profit ceiling" for every financial enterprise. It was required that, "If the ceiling is exceeded in any financial year ending after 15th July, 1974, the Reserve Bank must be notified within 120 days of the end of that financial year, and...notification should include proposals as to ways to absorb the excess profit".[106] Those enterprises which employed funds of five hundred thousand dollars or more and intended to increase the price of any financial service were required to advise the Reserve Bank of the following: the effective date of the increase; the amount of the increase; details of the particular service concerned; and the reason for the increase. The Reserve Bank had the authority to disallow or to lower the increases and warned: "While the regulations allow a period of 14 days in which to submit details of increased prices, the Bank considers that it may be in the interest of the financial institution to give prior notice of increases. Such an action could avoid possible embarrassment".[107]

Over the following two years it appeared that no financial enterprise exceeded its profit ceiling. Interestingly enough, in the case of life offices it was not clear, even at the Reserve Bank, whether this portion of the regulations had any force. As mutual societies, life offices do not earn profits as such. Returns from investment are passed on to policyholders in the form of "bonuses". Presumably the Government had no wish to reduce the capacity of life offices to sell policies by interfering with their bonus systems. As far as increased costs were concerned these were negotiated between Reserve Bank officials and the financial enterprises concerned. An informant observed

that "each case for an increase is taken on its own merits". For example, in dealing with a proposed increase in mortgage interest rates, account would be taken of the type of properties it wished to lend on, the company's financial situation, and so on. In this area also there appeared to be some doubt as to the significance of the regulations for life offices. These companies, an informant observed, were not likely to seek higher interest rates on mortgages since they were "sensitive" about the importance of this area of their investment activity to attracting new business.

Exactly how the new regulations were applied and to what extent they were effective in securing the Government's objectives could not be determined since negotiations between the Reserve Bank and financial institutions are strictly confidential. More importantly, it was not clear why the regulations had been introduced in the first place. Already the Interest on Deposit Regulations controlled how much financial institutions were allowed to pay for money, except for terms exceeding five years, and the "Moneylenders Act 1908" stipulated ten per cent as being the maximum interest rate at which finance houses could lend money. The amendment may have been part of the strategy to get the co-operation of unions for the economic policies announced in October. Also, with an easing of tight liquidity conditions, the Government was probably anxious to have additional powers of influence over institutional investment.

At this time, finance houses were viewing an increase in the availability of investment funds as an opportunity "to take advantage" of lending rates. The chairman of Broadlands, for example, observed: "Lending rates rose sharply, but it was not until the end of the year that funds could be made available to take advantage of those rates".[108] But, apart from these factors, the significance

of the amendment may be interpreted in the context of what well placed informants described as the Prime Minister's covert, "official strategy to whittle controls away". Although on the surface it appeared that the Government had simply added a further component of control, the move to place financial enterprises under the "Stabilisation of Prices Regulations" had the effect of introducing a greater degree of flexibility into the way in which policies could be applied, particularly in respect of finance houses. Rather than resorting to direct and all-encompassing controls, the Government had increased the scope for negotiation through the Reserve Bank.

Politically this appears to have been a rather devious move. Unions and "left-wingers" within the Labour Party were left with the impression that the Government was attempting to control profits and servicing charges, while in reality interest rates could be allowed to rise in a quiet and controlled fashion through negotiations with the Reserve Bank. An informant in the Bank noted that "balancing" was an essential factor in the Prime Minister's strategy. On the one hand it was necessary to avoid distortions and anomalies developing within the financial system, while on the other it was politic to avoid alienating "left-wing interests". Thus, through a mixture of control and flexibility, the Prime Minister was setting in place the political and financial framework for a flexible interest rate policy.

That the Prime Minister was moving in stages towards the introduction of a more flexible approach to monetary policy was confirmed in the latter part of 1975. Asked whether in his view "a more active trading bank interest rate policy" might help to inhibit the growth of such uncontrolled financial operations as commercial bills, he replied:

> I think we must ensure that, as far as possible, comparable financial institutions should be able to compete with each other on an equal footing. One factor which undoubtedly contributed to the growth in uncontrolled financial operations was the Interest on Deposit Regulations introduced by the previous Government. These regulations had a marked effect particularly on the raising of longer-term finance by institutions that were subject to these regulations. With the trading banks, finance companies and other investment societies as defined in the regulations, in respect of deposits of three-year term or longer, they will now be placed in a much more competitive situation. The Reserve Bank Amendment Bill has been instrumental in making non-trading bank financial institutions more responsive to the Government's monetary and credit policies. Both these measures should help to ensure that the Government can pursue more effective monetary policies.(109)

In addition the Prime Minister said:

> During the next two years, the Government will use a flexible approach to monetary policy. As part of this approach, it will be necessary to review interest rates from time to time to ensure that they are at levels appropriate to the needs of both the economy and the banking system.(110)

It is interesting to note that in reply to the same question the Leader of the Opposition, Mr Muldoon, answered:

> I agree that a more active interest-rate policy is probably desirable at the present time, and would propose to investigate its practicability upon a change of Government.(111)

New Economic Policies

Concurrently, the Government was struggling with the country's growing economic difficulties. Over recent months, it had become necessary to obtain funds from the International Monetary Fund and to borrow from overseas banks. In August, the country's Special Drawing Rights were converted to an amount of approximately forty-seven million dollars. In September, moves were made to exercise New Zealand's gold borrowing rights with the I.M.F. for

a further forty-five million dollars, to negotiate a Swiss loan of twenty-three million dollars, and to arrange for a multi-currency credit with a syndicate of major international banks in the amount of 283 million dollars.

October brought the introduction of a new set of economic measures. The Minister of Finance made the following comments in a background report:

> The tasks set for our economic management are to adjust the economy to a lower rate of growth compatible with the decline in the terms of trade, and to contain the escalation in wages and prices. The Government's responsibility is to achieve this without compromising our fundamental social goal of full employment, without damage to our other social objectives in housing and other areas, and without over-reacting to the present situation and causing unnecessary harm to our longer term development. To do this we will need the support and co-operation of all sectors of the community.(112)

He also observed:

> We believe that the only fair and socially responsible way to deal with our current problems is to maintain employment and a reasonable rate of economic growth and ensure an equitable distribution of the increase in national wealth through our prices and incomes policy.
>
> The Government's economic programme in the short term is to:
>
> - Slow down demand growth gradually and to allow the availability of finance to tighten steadily rather than to introduce sudden and disruptive changes in financial policy.
>
> - Maintain a firm restraint on incomes growth and at the same time to ensure that increases in the nation's real wealth are fairly shared out.
>
> - Continue long-term measures aimed at improving efficiency and stimulating export growth.(113)

Proposed among the "main elements" of the Government's economic policy was, "A housing policy designed to bring the property market into balance while maintaining momentum in housebuilding in high-priority areas".[114] The Minister observed:

> Our objectives for housing are threefold: to give high priority to housing lower-income groups; to see that the industry attains a rate of construction which it can hold to in the longer run; and to ensure that the flow of funds into housing is of a level and a pattern to support both these objectives.(115)

And:

> We are meeting our commitment to provide good quality housing at a reasonable price for those on lower incomes by big increases in lending at concessional interest rates through State agencies and a sizeable boost to the State's own construction programme. This year the State Advances Corporation expects to finance 13,000 dwelling units, including an increase from 800 to 4,500 in the number of loans to people on low incomes. In addition the Government's own housing programme has been expanded from 2,000 to 5,500 units. We will also continue to ensure that there is a reasonable supply of mortgage finance at reasonable rates flowing through the traditional private lenders.(116)

The Minister reiterated the Government's policy regarding the control of the availability of mortgage finance: "...it is of no advantage to the home buyer or to the industry itself to have a flow of finance for housing which is far in excess of the supply of existing property or the feasible long-term rate of construction of the industry. Property prices escalate and eventually demand will fall away, producing a recession in the industry".[117] Thus the mortgage market was to remain under careful control. Despite agitation for an increase in the supply of home finance, the Government was not prepared to precipitate inflationary problems by making too much finance available. The Minister of Housing made it

clear that "injections of funds will be made judiciously". If a rapid downturn in building activity occurred then "contingency plans" in the form of "short-term relief" would be put into operation.

The new economic package included a compulsory savings scheme, aimed at curtailing consumption, and to take effect from December 1, for those earning more than sixty dollars a week; the renegotiation of the cost-of-living order promised for January 1975; the Reserve Bank was going to make interest bearing deposits with the trading banks to enable them to make supplementary funds available to meet the urgent needs of their clients; there was to be an examination of non-taxable fringe benefits with the purpose of introducing a greater degree of fairness in the tax system; the cost depreciation of business cars was to be limited to six thousand dollars; and, as has been mentioned, profits resulting from such factors as the rezoning or change of use of land were to be taxed. The principal objectives of these measures, the Prime Minister explained, were "to maintain", with the assistance of the Reserve Bank, the line of credit necessary to ensure the basic capital requirements of key exporting industries" and "to move money over from consumption to investment in the short term, but to return it to the economy to sustain a sufficient level of demand during mid-1975".[118]

The removal of certain non-taxable benefits was largely motivated by political considerations: "If we are to have solid development in the months ahead, clearly we must have wide acceptance of the fairness of the moves we make, and I suggest that while a limited section of the community is able to have recourse to tax-free perks we are not likely to get the co-operation we seek from other sections of the community".[119]

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CHAPTER NINE

THE PARTNERSHIP

New Building Policies

I974 ended with the Government's long awaited new housing policies. Among the decisions taken by a special Cabinet meeting were:

> The Government building programme would be at least 5500 units next year, including about 1000 design-and-build units, 2000 State rental units, 1000 pensioner units and 1500 Maori and departmental units.
>
> Housing Corporation lending on new homes would be maintained at a minimum of about 9500 units.
>
> Government policies for acquiring and developing land, both for State housing and for sale to private owners, were reaffirmed.
>
> New policies to help prospective home owners had been approved and would be announced early next year as they were implemented.(1)

On the last point the Minister was reported as saying that the new policies "...included developments in the fields of supply of sections, the better use of existing housing, improvements to existing housing, house construction, the better use of State rental units and finance".[2] The Minister also observed that the new policies would "...mean a quite substantial lift in Government expenditure on housing".

> In the present financial year...it was expected that about 2000 State rental units would be completed. Next year, the forecast was for a minimum of from 3000 to 3200 units, and expenditure of about $40 million compared with $16 million this year.

> On the design and build programme expenditure would be at least $26 million compared with $23 million this year.(3)

While the Minister "...could not discuss the other policy decisions...he gave an indication that such things as grants and loans for the improvement of existing houses, and financial incentives to encourage people to make better use of the present housing stock, might well be included". And:

> In the field of housing construction, there was the possibility of joint developments with builders, such as the present arrangement in Whangarei in which the State and a private builder were jointly developing land owned by the builder, for both private and State rental housing.
>
> There was also a strong possibility of long-term arrangements with builders to keep prices down.
>
> ...depending on the liquidity situation next year, it was likely that a fresh look would be taken at what could be done to help in the private housing sector, in addition to the State sector.(4)

The Minister also said:

> The Government has announced the broad decisions now to keep faith with the building industry and to show that we are standing behind it in this very important field and in these times of economic adjustment.(5)

The Minister's announcement was very welcome news to Auckland builders. In addition to the Whangarei scheme, which involved 80 dwellings, the Government intended to let 1100 contracts for Housing Corporation rental houses and 450 "design-and-build" homes. The president of the Auckland Master Builders said:

> It is wonderful news for our housing boys. It will mean a big improvement in their position.

> There is no doubt that our members will be able to cope with these extra State houses.(6)

Despite the year-end optimism, 1975 was ushered in with warnings of a "looming recession" in the building industry.

Towards the close of 1974 there had been a decline in the number of building permits issued. But as the drop had occurred largely in the high-cost building area the Government was not overly concerned. Viewing the situation positively the Government saw it as insurance against the sort of inflationary conditions that had prevailed in 1973. The president of the Waikato Master Builders' Association, however, was worried. Having just completed a round of meetings within the industry he commented:

> The amount of work in the pipeline is right down. National figures bear this out.
>
> I believe there are people who want to build. But they face a wide deposit gap. This will be accentuated by the general wage order, which will place even more people above the income limits.
>
> Sections are available. There are now few problems with materials supply or labour.
>
> Only finance is the problem.(7)

Shortly afterwards, the Opposition spokesman on housing expressed similar views and warned of the damaging consequences of further procrastination. "Unless the Minister stops mucking around and acts quickly the building industry will take a long time to recover - some sections of the industry are already in severe difficulties".[8] In Hamilton City, and elsewhere, there were reports of desperate accommodation shortages. Ironically, at this time Lockwood Buildings Limited announced that it was tendering for a contract to supply

200 houses to Australia.

But, as usual, there were conflicting reports about the seriousness of the situation. In contrast with the president's observations one real estate agent observed that, "Money is now starting to flow back into housing mortgages through solicitors' offices because the interest rates in the bills market has begun to fall". [9] Sharing this view, the president of the Auckland Real Estate Institute noted: "Confidence has come back into the house market".[10] Reports from Housing Corporation representatives indicated "ninety-nine per cent" of all loan applications were being approved.

Further good news from the Government's standpoint came in the form of [illegible] indications that house prices were beginning to fall or at least to stabilise. A real estate agent observed:

> There has been a considerable drop in sales and there is a degree of sense now in property prices.
>
> Prices have come back a little in some cases. I know of one home unit builder who had to drop his asking price by $8000 from $32,000. (11)

However, for builders the shortage of work was becoming critical.

By February the B.I.A.C. had become very alarmed about the state of the building industry. In this and the following month, the Council pointed out that "...the downturn in demand for new building has steepened and builders forward work loads are rapidly reducing".[12] The situation presented the imminent threat of increased unemployment on the one hand and the prospect of damage to the country's construction capabilities on the other. Regarding the last point the Council observed: "In the

longer-term development of industry skills could be impaired enough to slow the industry's ability to respond to renewed growth".[13] But unemployment, given the importance of the building industry in the economy, was the major concern.

> At present the 'on site' industry employs a labour force of about 90,000 and there are about 35,000 employed by manufacturers with production directly related to building supplies. There are also employees in other industries where job security depends on building services e.g. transport, furniture and furnishings etc. It follows that the flow-on effects of a substantial drop in building demand could have serious repercussions and contribute to growing unemployment.

And:

> It is estimated by Council that if current trends are allowed to continue many builders and tradesmen working for subcontractors will be out of work by May or June.(14)

The Minister of Works and Development attempted to inject a little confidence into the industry. Already, he observed, the Government was providing some assistance "...by expanding its construction programmes" and was taking steps "...to accelerate and increase the volume of work being planned".[15] In addition, the Government was prepared to ensure an even flow of private investment.

> Trends in the industry are being closely watched and appropriate corrective action will be taken if reduced investment from the private sector causes a significant slowing in activity.(16)

On the local authority front, the Minister reported that "...loan sanctions are at record levels, and it is intended to ensure that essential works are not delayed by lack of loan finance". Every effort was to be made to support the building industry.

> Should the industry show signs of a more severe downturn than anticipated, contingency plans will be activated towards keeping the industry viable and maintaining full employment.(17)

The B.I.A.C. recommended an increase in institutional lending, expansion of the Housing Corporation's design and build scheme, and an acceleration of school building and school maintenance programmes to avoid a slump.

At the beginning of February, building controls applying to houses over 1,500 square feet and projects costing over $60,000.00 were relaxed. Registration would continue to be required but programming control over starting times for new buildings was to be limited to unduly luxurious buildings and other types of low priority construction.

By the middle of February the Minister of Finance was feeling sufficiently confident about the housing situation to say: "The Government's aim to achieve stability in the housing field is now being met".[18] Although "stability" may have been achieved in respect of control over the availability of mortgage finance in relation to building resources, the Government still had an immense task ahead of it in providing housing for low income people. The Housing Corporation painted the following gloomy picture in its annual report:

> Chief areas of demand remain the larger cities and towns, with the people worst affected being those on lower incomes. Serious effects of the housing shortage are in evidence in many situations of overcrowding with consequent social

> and health hazards and escalation of private sector rents even for substandard housing.(19)

Measures designed to provide additional stability in the building industry included a programme, to be administered by the Housing Corporation, to build dwellings for private sale. To begin with, 250 such dwellings were to be constructed. Finance amounting to 80% of their value plus section loans, would be provided. If it became necessary, due to a decline in building activity later in the year, the Government was prepared to raise this number, as a contingency measure, up to 2,000 dwellings. The Minister of Housing explained the advantages of the new scheme in the following way:

> Corporation programmes could be expanded in periods of declining activity, thereby minimising the destructive boom-and-bust cycles to which the building industry was particularly prone.
>
> During periods of high private sector activity they could be reduced or even eliminated, thus acting as a real regulator to the market.
>
> Sales would be mainly to middle-income groups who were to a large extent missing out on home purchase incentives available for low-income groups.[20]

Apart from this — the Government expected 6,000 dwellings to be completed during the year in Corporation rental houses, departmental housing, Maori housing and Corporation-subsidised housing for the elderly. In rental housing expenditure was expected to rise from the $31 million allocated in the 1974/75 financial year to $94 million during 1975/76. The Minister observed:

> ...the number of rentals for which contracts were let in 1974/75 was 3200, almost 200 per cent up on the 1187 in 1973/74 and 300 per cent up on the 770 in 1972/73.

> Actual completions in 1974-75 were about 1660, compared with 650 in 1973-74.
>
> Completions this financial year were expected to exceed 3500 and could be as high as 4000. (21)

To ease pressure on the building industry as well as to protect employment opportunities and to conserve resources, decisions were taken to change the country's immigration policies and to expand the housing improvement loan scheme. Assisted immigration programmes were to be curtailed and the scheme was to be changed to encompass "all worthwhile housing improvements, including conversion in flats and the making good of deferred maintenance". Additional to this it was explained that, "Loans will also be made available for young families who finance an existing dwelling other than through the Housing Corporation and who need further money to bring it up to a reasonable standard". [22] There was also to be a liberalisation of policy as it "...applied to elegibility for loans to provide for alterations and additions for increased family size". Whereas such loans had only been available to Corporation mortgagors, those who had obtained mortgage finance from other sources could now avail themselves of this facility. A further liberalisation of Corporation lending was also to take place in the area of finance for additions and alterations to houses to accommodate elderly relatives. The previous limit of $4,500 was to be changed to allow for loans of up to 100% of the cost of providing such accommodation. The purpose of this change was to free older homes no longer wanted by elderly people for purchase by young families. To encourage people to take up the opportunity to purchase existing dwellings there was to be "a selective liberalisation of purchase lending". It was proposed that such criteria as the following would be used to determine eligibility:

> The movement of older home-owners from accommodation beyond their needs to more compact and convenient accommodation.
>
> The ability of the purchaser to maintain and improve the older property...(23)

The Government was also examining the possibility of providing mortgage finance to those who already owned homes but "who wish to sell to move to a small unit".[24] The Corporation had also begun a subdivision experiment of low-maintenance units which would be offered in exchange to Corporation tenants "occupying rental dwellings larger than their needs". In addition, the Corporation was "...to sponsor the construction of new dwellings for the elderly on a reciprocal sale basis - with the Corporation, if necessary, purchasing existing dwellings for re-sale or rental to families".[25] Apart from these measures, which were aimed at taking full advantage of the country's housing stock and relieving pressure on the country's building resources, the Minister of Housing decided to cut State housing waiting lists by 3000 applicants. He was reported as saying that it was unfair to "sustain hopes" of those people who had"no chance" of receiving a house "in the foreseeable future".[26]

As well as the above, the Government had decided to contract out housing work on the basis of "longerterm agreements" of up to three years and to give approximately six months advance notification of Corporation dwelling programmes. The Minister of Housing explained:

> This would help them to more efficiently plan production, encourage them not to think of the Housing Corporation as a customer only when demand was low in the private sector.(27)

The Government also intended, the Minister said, to increase the proportion of Corporation dwellings built under the "design-and-build" programme. "This would encourage more builders to stay in the family housing sector because most builders preferred to build to their

own designs.

In addition, the Government was intending to release more mortgage finance through the banks. However, this was not to involve an across-the-board, sizeable reduction in Government stock holdings but a selective approach based on a regional assessment of needs. No finance would be made available until all "present funds are used up". The Minister of Finance explained: "We are looking at a step-by-step reduction, so that there is not a surge of funds which would only serve to raise house and section prices". In the Waikato region and other areas where trustee savings banks had had their mortgage departments closed for several months, the Minister's statement was interpreted as meaning that they would soon be lending again. In Hamilton City, the vice-president of the Waikato Master Builders' Association expressed his pleasure, saying that "... the flow of new housing funds would provide a major relief to builders". [28] He also observed that, "The rate of construction of medium and high-priced homes had slumped by about 50 per cent during the last year as the current credit squeeze had tightened", and, "Builders in Hamilton had been dependent in recent months on the steady flow of low-cost housing work financed mainly by the Housing Corporation". To add to the mortgage pool, the Government, in March, reduced the security ratios applying to trustee and private savings banks. This released 12.2 million dollars.

Also in March, the Minister of Housing announced a $36 million land purchase and development programme for the following financial year. This, it was hoped, would enable the Housing Corporation to develop 4,150 sections of which over half would be sold to private home-seekers. Significantly, during this time private superannuation funds were placed under the same investment controls as those which applied to schemes operated through life offices. The private operations were already required to invest 30% of their funds in public securities. Now they would be

required to comply, in addition, with regulations pertaining to investment in housing and industry. For some time the private funds had been providing a ready source of finance for speculative activity and there had been a noticeable reduction of mortgage finance provided by them. Explaining the new controls the Minister of Finance said:

> The changes ... will merely place all superannuation funds on an equal footing. The restrictions will affect only a minority of schemes and it would hardly be fair that this sector of the market has a possible advantage over its competitors, amongst whom would be included the life offices.
>
> While some funds may have to switch funds out of high yielding investments it must be remembered that often these funds are invested in more speculative areas. This view has been reinforced by the reduced flow of mortgage finance from private sources. (29)

These comments were part of a statement in response to accusations that the Government was trying to "placate" life offices and "harrying out of existence private Superannuation Schemes". Although the controls were aimed at creating a fairer situation in the market while at the same time boosting the supply of mortgage finance, it should be noted that some of the private schemes were being managed by life offices.

As for commercial building, the Government was accelerating the letting of contracts for public buildings. In April, the B.I.A.C. had pointed to the decline in private sector building through the following table:

Private Sector Building Registrations
($20,000 or more value ranges
excluding dwellings)

	No.	Value	
December-March quarter 1972/73	423	52.1	
" " " 1973/74	489	83.0	
" " " 1974/75	290	36.0	(30)

The Council was particularly concerned with factory and

commercial building. Given the changing proportion of Government sector building to private sector building (it was tending towards 1 : 1) the Council noted that "... any expansion in Government's programme could make a significant contribution of offsetting the downturn in the private sector". [31] N.B.R. observed that: "A slump is obviously coming for non-residential builders. In March the value of permits issued for non-residential building was $24.4 million compared with $40.7 million for March 1974". [32]

The building programmer was having to maintain a delicate balance between securing the Government's housing objectives and ensuring a stable flow of works for building companies. In assuring the B.I.A.C. that the Government intended to fulfil its promise to increase its own volume of work, the Minister of Housing said:

> Government's programme will take into account regional considerations. For example, the non-dwelling part of the industry is still over-committed in the Wellington region and therefore there will be less emphasis on Government works there than in, say, Auckland. This means that effective rates of increase in Government work will be greater in those areas most affected by the diminution in private sector demand. (33)

New Land Policies

Early in 1975, new incentives were introduced to encourage lower-cost land development. These included joint activity between the Government and builders on the latter's land, loans to local authorities to buy land for joint housing development and joint schemes on Housing Corporation land. All schemes were to be subject to section price limits determined by the Corporation and a proportion of the sections were to be made available to the Corporation for its own purposes. [34]

The Minister of Housing hoped the incentives would

stimulate the production of sections: "The aim is to finance development on a scale individual builders, developers and local authorities using their own capital could not contemplate". The scheme, he wanted to assure builders, was not part of a strategy to take over the building industry but to assist it by creating a stock of reasonably priced land. Reserves of lower cost land would stabilise prices to the benefit of genuine builders in competition with "big spending syndicates".[35]

The Minister also explained that, "Nearly all land development planned by the Corporation would be undertaken by private enterprise, either through contractors or full-scale developers".[36] The Government was attempting to forge a partnership with the private sector and local authorities which would not only secure their individual, but not mutually exclusive, interests but also make life exceedingly difficult for those engaged in speculative land dealing.

It became clear the Government was going to try to hammer home the initiative it was acquiring in the property market by carrying through its promise to become an active competitor itself. The Minister of Housing announced that the Housing Corporation was going "...to pre-sell Government sections to allow more young people to build their first homes and to keep down section prices".[37] He explained:

> I have been concerned for some time about certain private subdividers who have been pre-selling sections, prior to subdivision, and sometimes off sketch plans - and sometimes even before council approval has been given - at highly inflated prices.
>
> Some of the prices being asked are out of all proportion to the cost of the land and development costs, even allowing for a measure of inflation.
>
> These sections are often pre-sold on low deposits, but the massive balance is

> generally repayable over a short period and at high rates of interest.
>
> In addition, people who have purchased under arrangements like these often have no security at all, other than the financial strength of the company developing the land.(38)

It is worthwhile noting at this point that in Hamilton City this sort of business was quite widespread and when the City Council decided to transfer additional development costs to developers, those who had already pre-sold sections and had neglected to apply for permits or, more commonly, not had the foresight to obtain permit renewals, found themselves in decidedly embarrassing financial positions. In effect, by "pre-selling" sections these developers were able to finance promised development. So long as everything ran smoothly it was possible for them to co-ordinate sale and development with little cost, but substantial profit, to themselves.

Under the Government's policy, home builders would place a deposit - estimated to be between fifteen and twenty per cent of the corporation's "maximum section price" - and complete the purchase at the time of actual construction. Thus, even though it might take three years to start construction, the final section price would remain the same as it was at the time of deposit. It was felt that the actual period it would take before the land was fully developed would coincide reasonably with the time needed for most people to save sufficient money for a home deposit. Working on the same principle as the private operators, the Housing Corporation would use the deposits to finance section development.

The actual price for each section was referred to as the "maximum section price". This meant that in setting price limits for sections, account would be taken of their location: "Price limits on sections qualifying for loans would vary from area to area, and could be different in separate parts of the same city".[39] In addition, prices would reflect "true costs of land and

its development". The Minister of Housing observed:

> They will be lower than current market prices sometimes considerably lower. This will bring an important element of competition with the private developer which has been lacking in the past.
>
> We see this as the best way to bring prices down, through direct competition.(40)

To prevent purchasers from abusing the scheme, the Housing Corporation had introduced a suspensory loan arrangement whereby consideration was taken of the difference between the ruling market price of sections and the Corporation "maximum" price. The "loan" would be written-off after the purchaser had occupied the property for 10 years. This would prove to be an effective barrier against speculative dealing in Government sections the authorities felt. In addition, a purchaser, desiring to sell his section before having repaid the loan, was required to offer it first to the Corporation for possible purchase. With respect to building loans, "Houses built on corporation-financed sections would have to come within limits on the total cost of the house and section to qualify for a corporation building loan".[41]

The Government also intended to sell developed sections, of which they now had approximately two thousand. Generally speaking the same conditions which applied to the "pre-sell" scheme operated in this area also. Buyers would be expected to make a deposit of 20% of the total price. In return they would receive a temporary tenancy for one year during which time construction was expected to begin. The Corporation had the discretion to extend these tenancies. In cases where the purchaser also obtained a home-building loan, the balance of the section price would be added to the mortgage for its full term of up to 40 years. Again the suspensory loan principle applied.

The Government was also going to sell "developed high-cost sections". These would be offered at their full market value with a normal deposit of one-third of total cost. The balance would be repayable over a short term, usually up to five years, at market rates of interest.[42]

The new lending policies also allowed "first-home seekers" to purchase reasonably priced private sections. Up to two-thirds of the cost of sections would be advanced and in cases where the cost came within the Corporation's price limits elegibility for loans would not be subject to income limits. As far as sections with building ties were concerned, they "...would be ineligible unless the total contract price of the house and section was approved by the Corporation".[43]

As well as being a "big step towards a one-mortgage situation" the overall scheme represented a further move to stabilise land prices. The Minister of Housing noted the loans "...would encourage more lower-cost land development by providing guaranteed finance in the lower-cost sector".[44]

The new programme, the Minister emphasised, "...is not a case of the State monolith squeezing out the private trader. Nearly all Government land will in fact be developed by private firms with Government finance".[45] And: "The Government's wish is to assure competitive land pricing and stability by using the resources of private industry with State backing - a partnership".[46] The Government, the Minister commented, had "...assumed the responsibility of introducing some competition", because, "A minority with no interest in the long-term stability of the industry has pushed up prices through short-term speculative investment".

The "partnership" was intended to serve a dual purpose. In the short-term, it would deal a blow to land speculation. In the long-term, it would provide

a stable supply of sections which would not only militate against speculation but also allow builders to engage in advance planning. On the last point, the Minister remarked: "One of the Government's main objectives in establishing reserves of land is to stabilise prices to the long-term benefit of genuine builders and developers whose livelihood depends on sustained dwelling production".[47]

In accordance with the partnership principle the Government was endeavouring to contract out most of the development work to earthmoving firms. In this way it could more rapidly create the section reserves required to maintain stability in the land market. Speed was of the essence. At that time it was taking three years to move from the subdivision concept stage to the time of occupation. Thus the build-up of reserves could not be delayed if forward planning in the industry was finally to become a reality. With the Government's financial support and landholdings it was hoped the building industry could be assured of a more stable future. Private building firms that did not have the resources of land and finance necessary to accumulate section reserves welcomed the Government's moves. They much preferred to leave the task of land purchasing to the Government with its land acquisition powers and financial resources.

Thus, as well as assisting home buyers and stabilising land prices, the section sales would serve the purpose speedily of getting more lower-cost sections on the market. As most lower-cost land was in the hands of larger builder-developers - who usually sold sections on the condition they also built the houses - smaller builders welcomed it. The Government saw it as providing "a competitive edge to the market". The Minister of Housing also pointed to its advantages for the prospective homeowner: "More home-buyers would be free to select a builder, instead of entering an agreement to buy both a section and a house from larger developers,

who currently held most housing land".[48]

Many smaller builders, particularly those who had found it necessary to enter into arrangements with builder's supply merchants, welcomed the Minister's announcement. One observed that the decision to provide the prospective homeowner with the opportunity to go to the builder of his choice would help to stem the movement towards monopoly control in the building industry. Large conglomerates with their financial, supply, and construction subsidiaries, were gradually taking over the entire industry, he observed.

Analysing the entire scheme,the "Property Roundsman" of the N.Z. Herald commented:

> It appears that some low income earners may be eligible for almost 100 per cent Government financing on home and land.
>
> If this is the case, the clock will have almost been turned back 10 or 15 years when people virtually could get a home on a £10 deposit.(49)

He quoted the chairman of the Major Homebuilders Group, "which concentrates on corporation-financed homes", as describing the scheme as "quite a remarkable breakthrough. It is the sort of thing we have been wanting for many years".[50] Since people would no longer have to wait to complete the purchase of their privately financed sections before building, and not have as much equity of their own in it, they would be able to build "fairly quickly". He also commented:

> I regard this as being a good move by the Government first because we are getting nearly back to a low deposit situation and secondly because it is going to provide a control to section prices.(51)

Eventually the Government expected to capture twenty-five per cent of the section market and thus provide the basis for a continuing supply of sections at reasonable and stable prices. At first, as has been observed, sales priority was to be given to "first-home seekers". In cases where there were more applicants than sections, a ballot system would be used to determine who would have the right of first purchase.

Importantly, the overall goal was to stabilise land prices in areas of "special need". Exactly what this meant was not made clear. The evidence suggested that most of the land purchasing had occurred in the country's larger urban centres where typically the problem of land speculation and housing demand was greatest. It seemed that outlying areas were not to be accorded the same level of assistance. Indeed, the Minister of Housing had said that "Auckland is high on the priority list",[52] with respect to section development.

On April 2, the Minister of Housing issued a statement with Mr J.A. Walding (M.P. Palmerston North) that the first public sale of Housing Corporation sections was to proceed in the latters home city.[53] Involving 33 sections, this sale was the beginning of the programme to sell 2,000 sections over the next financial year. Little over two weeks after the Palmerston North sale, 278 sections were allocated for sale in Massey and Papakura. In all, some 600 sections were expected to be sold in metropolitan Auckland during the financial year and twelve hundred the following year. All sales could be classified into two categories: (a) fully developed sections with title available immediately, and (b) partly developed sections sold from scheme plans with title available some months after allocation.

At the beginning of May, the qualification limits on section prices for Housing Corporation loans were announced.

Ranging from $750 to $8000, depending on their location, the limits were viewed as an attempt to force section prices down. "Real estate sources" were reported as saying that the Minister of Housing had:

> ...deliberately taken advantage of the liquidity crisis and offered development companies the carrot of a guaranteed sale, even if at a reduced profit margin.(54)

It was also reported:

> Property dealers believe that (the Minister of Housing) has gambled on the fact that many developers and speculative builders have unwanted sections on their hands that they cannot sell because of the general shortage of finance.
>
> A guarantee of finance from the Housing Corporation could induce them to drop the price so as to qualify.(55)

As far as Auckland was concerned,none of the limits reached the $8,000 maximum.

> The limits set for Auckland are $5500 in Waitakare, $6250 in Mangere and $7250 in south, east and west Auckland and the North Shore.(56)

In Hamilton the limit was set at $6,000 and in Christchurch the maximum of $8,000 applied.

The managing director of Neil Housing felt that it was "obvious" that the Minister of Housing "...was putting out a feeler but the way this would be taken up remained to be seen".[57]

> He obviously wants people to produce sections at this price and it does provide the opportunity to develop their business in volume.

> The margins will be small but there may be some people who are prepared to drop a bit and get a building contract under way.
>
> It at least gives them an opportunity to get volume rolling, so they could be prepared to drop their section prices. But the limits the Minister has set are right on the border of the lowest possible level at cost.
>
> We will just have to wait and see whether it is a realistic level.(58)

He also observed that:

> ...some low-cost housing companies were already selling sections at below market value in a section and house building so as to fall within Housing Corporation limits.(59)

Perhaps not surprisingly, builders and others were soon trying to interpret the Government's new scheme to their own best advantage. Apparently loan applicants were trying to obtain approval for package arrangements, put together by builder-developers, which involved both the house and section together. In some cases the applications were made after actual house construction had begun. The Housing Corporation refused to approve such applications on the basis that the property involved was no longer, by definition, "a section". This brought immediate criticism from the Auckland Master Builders' Association, the chairman of which claimed that the advice being given to applicants that "...they only qualified for a section loan when there was no building construction programme under way was contrary to the Minister's statements".[60] In reply to this accusation the deputy manager of the Housing Corporation in Auckland explained: "The whole intention was to help people get a section, not a back-door method of increasing the size of housing loans, as some people and builders have taken it".[61]

Despite expressions of approval from some quarters of the building industry, others considered that the Governments's new policies had not gone far enough. The biggest complaint was the continuing shortage of mortgage finance for medium-priced homes. In February, the vice-president of the Waikato Master Builders' Association had been reported as saying:

> Builders are concerned that the lack of finance from lending quarters besides the Housing Corporation has meant there is an almost complete absence of housing work in the medium to higher price bracket.
>
> The housing needs of this section of the community must be served to a reasonable degree.
>
> We don't want to see a situation where only unimaginative uniform boxes can be built, and this is basically what is happening with the Housing Corporation's rigid ruling that house and section cost combined may not be more than $23,000.(62)

Referring to the situation of the 'spec' builder, Mr J.G. Russell noted:

> In the present financial climate, the so-called 'spec' builder should go into retirement for the duration of the recession. The builder who erects houses for sale to the public provides a useful and worthwhile social service. However, current economic conditions are not conducive to his efforts.
>
> Because of the unavailability of mortgage finance for any but the low-cost housing area, there will be a substantial reduction in new houses for sale to the public.(63)

Warning that many skilled men would leave the industry for "more reliable employment", he argued that the Government had a clear responsibility to increase finance for the middle-income bracket. A release of funds from the

savings banks would facilitate the purchase of approximately 4,000 new houses now standing vacant throughout the country. This was "proof positive of an acute shortage of mortgage finance".[64]

The Minister of Housing presented a different assessment of the situation. At a meeting of the Wellington branch of the New Zealand Institute of Valuers he noted:

> In the shorter term the market has turned to the buyer's favour, bringing with it a welcome element of price stability.
>
> Some builders and developers, accustomed to record profits, have found the bottom gone out of the high-price housing sector, others have found no money available for speculative building like strings of flats.
>
> Some claim the Government has deserted the building industry. Not enough money is being invested in housing by the Government. In fact, record amounts are continuing to be invested by the Government.(65)

There was evidence to suggest that the housing market was on an upswing as the Minister stated. In the Hamilton region there were reports of a dramatic increase in mortgage registrations. The president of the Waikato branch of the Real Estate Institute said:

> The pall of gloom has lifted in most quarters. There is now a lot of confidence in the market.
>
> Many people in the industry thought they might be forced to the wall but things didn't turn out that bad.
>
> There is not an abundance of money but there is more about than we expected there would be. And the number of salesmen in the industry in the Waikato-Bay of Plenty area is now at about 625 - not far short of a record 700.(66)

The Government's policies, it appeared, were having the effect of sustaining a reasonable level of work. Those prepared to play the game and participate in the new programmes were obtaining contracts. As for the 'spec' builder, on the other hand, there was to be no reprieve and arguments from individuals like Mr Russell for additional mortgage assistance for middle income earners were unlikely to be effective. There remained good reason for the Government to act cautiously. The Minister of Housing remarked: "Despite claims being made by the building industry that forward work was short, delivery on Housing Corporation contracts were generally running behind schedule".[67]

Furthermore, large land developers were viewing the Government's actions to ease the availability of mortgage finance as the opportunity they had been waiting for to promote the expensive section market once again. In April, for example, Broadland's promotional literature contained the following words of wisdom for people interested in having "their own particular piece of real estate",:

> 'Safe as money in the bank!' You don't hear that statement quite as often as you used to. Because money in the bank isn't as safe as it used to be. Inflation gobbles it up.
>
> Money in the bank is better in an investment where it improves in value and assures a good return.
>
> ---
>
> MOTTO - Buy your piece now - there's no more being made and prices will never be better than today.(68)

The Final Phase

In the 1975 Budget the Housing Corporation was allocated 219 million dollars of which 204 million was to

go to a programme of 9500 building loans and 4500 purchase loans. Some 15 million was earmarked for such purposes as home improvements and additions.[69] Loan ceilings were to remain the same. The Director General of the Housing Corporation was reported as saying of the Budget: "It lends money to more people but not more money to more people".[70] The Corporation intended to assist 3500 low income people, complete 6000 State houses and build or buy 1120 houses for Maori families.

In the area of monetary policy the Budget contained changes which, according to the Reserve Bank, were introduced "...to stimulate savings and to improve the structure of the financial system".[71] They were a further step towards the eventual introduction of a flexible interest rate policy or, in the euphemistic language of the Reserve Bank, "an improved financial structure". It seemed that finance houses saw their new exemption from the Interest on Deposits Regulations for deposits over three years as another move to place them on a more competitive footing in relation to "uncontrolled" intermediaries and thus to provide them with the opportunity to co-operate with the Government's economic policies. The Broadlands Dominion Group observed:

> Our belief is that the Government has now recognised the role of finance houses in the financial scene, and that it would rather see money diverted into consumer and commercial sectors as a stimulus to the economy rather than see it go into the mortgage market which would create another boom in property prices, with an attendant effect on inflation.(72)

The Opposition spokesman on housing was highly critical of the Budget, saying that it contained "no new proposals for housing". Referring to the Minister's recent series of policy announcements, he commented: "...I am sure the Government has exhausted its patience in accepting his

drip-feed approach to his numerous suggestions, eking them out in little pieces in such a way that the building industry has not fully understood the serious damage done to it over the past 12 months by this Government's policy".[73] Insofar as the Budget was concerned he argued that it:

> ...is no help for the person who genuinely saves to help him to bridge the deposit gap, which is now becoming unbridgeable. The rate of inflation, particularly as it applies to home building costs, is such that the deposit gap is growing faster than the capacity of conscientious and hard-working couples to save to bridge that gap.
>
> ...has failed to state that the average sized dwelling has shrunk. Houses that are little bigger than half-houses, 550 sq. ft town houses, qualify in the statistics as full dwelling units.
>
> ...does not reveal that more than 4,000 houses and flats completed last year are unsold because there is no finance to purchase them.(74)

Listing "black marks" against the Government, the spokesman drew attention to: the failure to control immigration which was having the affect of "nullifying the increase in the number of houses built", the growth of the State housing waiting list; the drop in State house construction; the "erosion of confidence in the building industry"; the decline of building permits issued throughout the country; the increased State intrusion into the private sector of house construction; the failure to live up to election promises; and the diminished supply of finance for housing. He interpreted the Government's stated intentions to build or finance fifty percent of all dwellings, units and houses and to capture twenty-five percent of the section market as being part of a stealthy movement towards the eventual nationalisation of all land and the building industry: "Step by step the Government is reaching closer to the objective ...that the State should nationalise the land

of New Zealand. Obviously this will include the farms and the homes of the people the Government claims to help".[75]

In reply, the Minister of Housing noted that the spokesman had exaggerated the length of the State rental housing list and that only 907 people had been removed from it; that during the month of April there had been "a very sharp upturn" in the number of building permits issued; that national statistics showed that "the average area of new houses for the year ended 31st March 1975 was 1,307 sq ft.". In addition, he confirmed the Government's intention to increase its own house construction programme saying that, "one way or another we will have built about 16,000 units, and in his Government's last year in office it built approximately 8,000".[76]

The Budget brought no alleviation for the mortgage shortage in the medium to high-priced housing range and, predictably, this resulted in further criticism. The president of the Wellington branch of the Real Estate Institute was reported as commenting:

> The finance now being offered by the Government is only partly replacing the private mortgage money which has been lost to the industry because of this Government's inability to cope with inflation.(77)

Referring to the private market as "a traditional source of funds" which "represented 52 per cent of all mortgages lent throughout the country three years ago", he went on to say:

> Despite the Government's apparent attempt to inject further moneys into the building industry the institute considers that its availability will be negated by restrictive conditions, imposed on borrowers.

> The Real Estate Institute feels that if a large proportion of the funds at present invested through the Housing Corporation were channelled into existing housing stocks for mortgage lending, the housing problem would be substantially reduced.(78)

In a similar vein, the president of the Auckland branch was quoted as saying: "We had been hopeful there would be some easing of the requirements so that lending institutions would have more cash available for the middle and higher income home seekers".[79]

By June, 1975, the mortgage market was reported to be improving. The managing director of S. George Nathan and Co., a Wellington Real Estate Agency, said

> The residential home market is good if people can finance.
>
> There is a marked demand for the better class of properties and a decided drop in demand for the lower quality home in poor order.(80)

Speaking about "the spec builder of expensive homes", the director said he "has priced himself out of the market" and some had been "discounting by as much as $10,000 per house".[81]

The combination of greater lending through the Housing Corporation, the broadened home improvements and expansion programme, and the increased availability of low cost sections for young marrieds was gradually moving building activity in the direction desired by the Government. While the "spec builder" was now in severe difficulty, "...the builder operating within Housing Corporation limits is reasonably secure".[82] The general trend was a favourable one from the Government's point of view.

> At the current time there is clear evidence that liquidity is easing and some resurgence of private sector demand can be expected as mortgage funds become more freely available in the housing sector. This applies particularly to middle income groups who have been virtually excluded from home ownership during the last six to nine months because they do not qualify for H.C.N.Z. loans, and have been unable to obtain mortgage finance through institutional or non-institutional sources.(83)

The B.I.A.C. continued to advise caution: "Taking into account the prevailing economic conditions...any more stimulation of the housing sector is unrealistic and not in the industry's best interests".[84] Expanding, it observed:

> Although inwards migration continues at high levels an account of the return of expatriates and this places increased demands on the industry, the limits on available skills, problems with continuing shortages for some building supplies, and the need to conserve overseas funds, suggest that a level of 33,000 completions in 1975/76 is the maximum which the industry should expect.(85)

Regarding commercial building, it was expected that the "expansion of government building programmes will partially offset the private downturn".

Meanwhile the Government was continuing with its land purchasing activities. A number of large development/building companies were still anxious to dispose of portions of their land holdings. A representative of one such company observed that they were prepared to "discount their assets" in a time of tight liquidity. The discount involved was often offset by the Government's willingness to pay cash and to avoid using real estate agents. In addition, companies were often able to secure contracts for land development and house construction in return for selling

their land to the Housing Corporation. The possibility of being able to obtain land from the Government through direct purchase at reasonable prices or on the basis of building contracts and through the reciprocal land exchange scheme was also welcome. A representative of another company expressed the view that the Government's purchases were helping to keep the overall price of land down and providing the basis for bargaining with builders on the production of moderately priced sections and houses. The farmer located in an area of future urban development, he observed, had been the person gaining most from rising land prices: "He is sitting back doing next to nothing, perhaps growing a few potatoes, and asking for an exorbitant price for his land". While the farmer might be able to force a large company to pay half a million dollars for his land, the Government would perhaps only pay half that amount based on an official valuation, he said. Once the Government sets the price, he went on, "it becomes possible for builders to construct reasonably priced homes". In his view, the Government was providing a positive service in attempting "to cut these guys (the farmers) out". Referring to acquisitions on the Hamilton City boundary, he noted that his company had decided not to purchase land itself but to "play ball with the Government" in the hope of obtaining construction and development contracts later. He said: "For the builder there is nothing much in the way of a profit on land. The profit is really made on the structure itself". Similarly, another builder observed that "builders can afford a lower profit on the section and more on the building". He also felt that the Government's purchases would make it "possible for genuine builders to get a fair share of the cake".

The Government's land purchasing activities continued to be met with great resentment in some quarters. Mr J.G. Russell observed:

> The activities of the Housing Corporation in one particular area are not assisting the industry because of the ill will being generated. The corporation has been purchasing properties at well below the cost to the building contractors or developers concerned. Those who have advanced money on such projects are unhappy about the situation. The owners are sometimes virtually ruined by the transaction.
>
> In one case, the corporation offered a price for a low-cost housing development which was more than $25,000 below the cost to the developer. On another occasion, the corporation acquired a property at a price which showed the owner a loss of something close to $500,000. There have been many other examples where it has attempted to buy at a rock-bottom price.(86)

He suggested that the Housing Corporation's "...tactics are not worthy of a Government department".

> The corporation is taking advantage of adverse conditions and the extreme shortage of mortgage finance. This particular situation has largely been created by Government policies and beyond the control of the persons affected. The industry has problems with rising costs which are to a large extent caused by Government action. The cost-of-living increases, extra holidays, accident compensation, the new superannuation scheme and a multitude of smaller matters are escalating building costs at an advancing rate.(87)

Criticisms of the Government's land acquisition activities ignored the fact that many large developer-builders had managed to negotiate very satisfactory development and housing packages in return for selling their land. Those complaining about market distortions and unfair dealing were, by and large, 'spec builders' and property investors who had risked their own and other's capital in ventures from which they hoped to make large speculative profits. There was evidence to suggest that complaints from companies about the Government's land purchasing activities reflected their actual financial difficulties as well as their having to forfeit

the potential for speculative gain. Indeed, promises of high returns to investors were based on the assumption that such profits would be realizable.

When easy credit conditions had prevailed developers had not been reluctant to "take advantage" of the situation by demanding the highest prices the market would bear. Complaints had been brushed aside as being the comments of those who failed to understand the intricate workings of the property market or who had socialistic tendencies. Now the situation had changed. Instead of "subsidising", albeit vicariously, the profits of speculators, public policies were in a position to serve the interests of "first-home seekers". To further its housing objectives, the Government was as keen to purchase land at "rock bottom" prices as speculators had been to extract exorbitant profits a few months earlier. The so-called "ill-will" being created was more than offset by the enthusiasm of smaller and larger builders alike who saw the Government's acquisition policies as providing the basis for ensuring a steady flow of developed sections for construction purposes and thus for enhancing the opportunity for forward planning.

Several companies were in grave financial difficulties or had gone into liquidation. Dimac Securities Limited, a privately owned Auckland investment company, was placed in voluntary liquidation. One of ten companies involved in the collapse, Dimac Construction, had been engaged in the construction of expensive home units in the Glenfield and Browns Bay areas. The group's chairman was reported as saying "...that because of the downturn in the property market and the economy generally last year, the group had been caught with home units that could not be sold off at adequate prices".[88] Among the seven directors it is interesting to note that there were two accountants, a valuer, an engineer, and a surveyor. The Henderson Advances group of finance companies also went into

voluntary liquidation. This led, in turn, to the winding up of the Northridge group for which the former organisation was principal creditor. Northridge comprised Northridge Investments Limited, Northridge Holdings Limited, Northridge Properties Limited, Northridge Group Limited and Northridge Heights Limited. Another property investment company, Growth Properties Unlimited, came under investigation by The Waikato Times. The newspaper determined that the company had failed to achieve the required minimum public subscription following the issue of its prospectus and that the basis of its operation involved very great risks to investors.[89] The company appeared to dissolve in an atmosphere of confusion, the company controller disappearing and leaving a number of unpaid bills for office furniture and so on. Among other such companies which collapsed during this period were the Property Investors Circuit Group and Leander Mutual Homes Loans Fund, a Hamilton based operation involving local accountants.

Even older, established firms found themselves in trouble. In August, 1975, Perpetual Trustees Estate and Agency Co. of N.Z. Limited was reported to be in serious financial difficulties. Its situation was brought about by "borrowing short and lending long" through its group fund contributory mortgage scheme. Having been unable to put the Company back on its feet by transferring $8 million worth of mortgages at their face value to the Housing Corporation and the Rural Bank, the Government passed special legislation to protect it until such time as its affairs could be brought into order. The Attorney General explained: "This was done because the Government did not wish to see an old and respected trustee company jeopardised by a problem related only to the group fund which it ran".[90]

Meanwhile a further measure to cut-off funds for property speculation was introduced. Clause 4 of The Land and Income Tax Amendment Bill (No. 4) restricted

"...the allowance of a special exemption for life insurance premiums in cases where the policy is used as security for borrowing to finance certain companies which operate like real estate syndicates".[91] This meant that members of companies operating as property syndicates could no longer claim a tax rebate on their insurance premiums if they had been used to borrowing money for investment in real estate. This applied to such companies as Circuit Developments Limited which had been setting-up limited liability companies of 25 people to whom it would sell insurance policies that would then be used to borrow money for investment.

While conditions in the building industry had improved, deteriorating economic circumstances soon required the Government to review its housing policies. Further extensive overseas borrowing had become necessary over the eighteen months to the end of 1974 and the country's current account in the balance of payments had dropped from a surplus of approximately $200 million to a deficit of $652 million. By the end of December 1974 the Government's overseas borrowings had reached $232.7 million for that calendar year, while the private sector had borrowed $270.4 million for the same period. The Leader of the Opposition summed up the Government's economic policy as one of "borrow and hope".

During 1975 the Government changed its policies to encourage private companies to borrow overseas. In February the Government announced it was prepared to consider making the interest on loans tax exempt in cases where the borrowers and the overseas lenders were not "associated persons" and where consent to the borrowing had been given under the Overseas Investment Regulations and the Exchange Control Regulations. Companies appeared to be having little difficulty in obtaining permission to borrow overseas for property

investment. Further, to avoid an "unnecessary diminution of overseas reserves", the Reserve Bank tightened its policy with regard to the "early voluntary repayment of overseas loans". It indicated that applications for repayment were "unlikely to be approved".[92]

Government soon found it necessary to re-introduce credit restraints. The reserve asset ratios for trading banks were increased from July and August and government stock ratios for finance houses were raised from ten to fifteen per cent after October 1. The former were to "...remain under a directive to keep their lending tenerally tight while still giving priority to the export sector on the present basis".[93] As a quid pro quo perhaps, and as another step towards a more flexible interest rate, the Government exempted trading banks from the Interest on Deposits Regulations for deposits of three years and over.

Speaking of the new credit restraints, the Reserve Bank observed:

> ...although the balance of payments is showing signs of improvement, there is a long way to go before the country can afford to relax the policy of credit restraint. There has in fact been a considerable easing of liquidity in recent weeks, and financial institutions are now in a much better position to meet a recovery of demand for funds when it occurs. It is appropriate to keep monetary conditions tight to avoid a resurgence of importing and of inflationary pressures from the demand side.(94)

Given the dual problems of inflation and balance of payment difficulties, the country's financial resources were to be carefully controlled and moved in the direction of greatest economic return. In allocating credit, the Reserve Bank was to give priority to farming,

housing and manufactured exports "because of their economic importance".[95]

In the middle of July, the Housing Corporation's lending policies were changed to relieve pressure on the Corporation. The decision was taken to suspend lending for existing houses, except in cases of ex-servicemen qualifying for rehabilitation assistance, public servants on transfer, special cases of hardship, and where a loan commitment had already been made to a prospective buyer. The Minister of Housing explained "...that the lending restrictions, which were temporary, were caused by a demand running at about 28,000 a year, which was swamping the Corporation".[96] The Corporation's commitment to lending for new homes, however, was to be increased by 2,000 loans "bringing the total to 11,500, or 5,000 more than in 1972". Elaborating on the new policies, the Director General of the Housing Corporation said, "The emphasis in home lending for the rest of the year will be on loans to families building their first homes".[97] Single people, without dependents, would not be able to obtain finance. In addition, the Corporation would have to "reluctantly defer for three months applications from young couples without children", and it would not be until the middle of October that these deferrals could receive re-consideration. Further, he observed:

> The Corporation had planned to finance about 4500 existing homes this year and 9500 new ones. With the extra 2000 loans announced for new homes, this will now mean finance for a total of 11,500 new homes this year.(98)

It may be assumed that the difficulties being experienced by the Housing Corporation were not the only reason for introducing loan restrictions. To continue a high rate of lending was bound to have inflationary

consequences. From this point of view the change in lending priorities and the additional injection of funds for new homes could be interpreted as a deliberate strategy whereby the Government hoped to contain inflation, while maintaining building activity but avoiding hardship for certain categories of people.

In July the Minister of Finance announced that, from August 1, all life offices would be required to have at least ten per cent of their total assets invested in house mortgages. It was a blanket measure as at that time the average proportion of total assets of life offices in house mortgages was 13.1 per cent. The aim of the directive was "...to ensure that all companies maintain a minimum proportion of their assets in house mortgages".[99] The Minister noted that, "There are no specific directions as to interest rates or terms for mortgage loans, except that these are subject to the stabilisation of prices regulations, 1974".[100] As well as this, private superannuation funds were given the choice of increasing by two per cent the proportion of their assets in government securities or, alternatively, increasing their commitment to house mortgages. The two per cent increase would apply each year for five years until a public security investment ratio of 40 per cent was reached or a 10 per cent commitment in house mortgages. The object was "to bring the requirements to a level similar to that observed by schemes operated through life offices".[101]

A few weeks later, in August, the Government introduced a new category of Housing Corporation lending to assist middle and upper income people. The source of funds was to be the private superannuation funds. Under the new scheme the funds were invited to purchase Housing Corporation stock. The money would then be re-lent. Being a less expensive and generally more convenient way of investing in home mortgages than

direct lending it was expected that the scheme would be a success. The size of the mortgage pool would depend strictly on the amount of money invested. Government finance was not involved. Those borrowing would pay market interest rates; however, it was expected that these rates would be lower than those normally prevailing in that part of the market operated by solicitors and other professional intermediaries and re-payment periods would be longer than generally available in the private market. As the Corporation would not start re-lending until the beginning of the next financial year, by which time it would be possible to assess how much money was available, the scheme would not provide immediate assistance. Apart from increasing the supply of mortgage finance for middle and upper income people, the scheme's significance appears to have been in its potential for providing a steadier flow of finance and for injecting some degree of competition into the market. In other words, solicitors and other professionals who provided the means for high returns from mortgage investment when finance was scarce would find demand for their services reduced.

The Government's economic troubles continued and by October led to a decision to suspend lending through the Housing Corporation for the purchase of private sections until the following financial year. The initial allocation of $2 million for the scheme had already been raised to $6 million. Despite its success, the Government felt unable to give the scheme further financial support. However, little over a month later a number of builder-developers offered a proposal that allowed lending to resume. The proposal was for Corporation payments for sections and houses to be made at the time the construction of dwellings was completed. Under the existing policy, payments for sections were made at the time of purchase, and building loans made progressively over the construction period. The new approach meant that payments on loans

approved between that point and the next financial year were made in that year. The "Property Roundsman" of the N.Z. Herald provided the following assessment:

> In Auckland the main beneficiaries of the private section financing scheme will continue to be the high-volume group builders such as Universal Homes and the Neil group of companies.
>
> Practically all the loans under the scheme approved by the Corporation in Auckland so far (about 800, with 200 more applications made before October 8 still to be approved), have involved major home builders.
>
> This is because only the big builders - developers can afford to sell sections in Auckland at $7,250 - the maximum selling price set by the Government.
>
> Since these companies insist on tying a section sale to a contract to build, almost all applications to the Corporation have been for section and house laons.(102)

This was confirmed by the Housing Corporation: "From inception the scheme found favour with major home builders, particularly in the Auckland area. Consequently, joint section/house applications sponsored by such builders became the norm, placing a severe demand on funds".[103]

The "Roundsman" also reported that, "The resumption will enable them (major home builders) to take pressure off the second mortgage market and allow this money to be directed into other housing".[104] In expressing his pleasure about the builders' offer, the Minister observed:

> I am delighted that the builders have taken this initiative. Not only will it mean that they can offer their clients a better deal, but also that many people will be getting 90 per cent finance or more. This is something we have not seen for a decade or more.(105)

With the general election only a few weeks away it may be assumed that the Minister's delight also reflected a sense of relief. Rather than having to suspend a popular programme and leave itself open to criticism, the Government could now point to the success of its housing policies, particularly in getting the co-operation of builders.

The Minister observed that the reintroduction of the programme would mean that lending would continue for both "tied" and "untied" sections. This seemed unlikely as indicated by the "Roundsman". It had been the large builder - developers who had made the offer and they operated on the basis of tying sections.

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CHAPTER TEN

IMPLICATIONS AND DISCUSSION

While the evidence suggests that the Government was now in the saddle with respect to most aspects of the house construction industry, it remained unable to stimulate regional development and was compromised on such matters as standard and design, servicing, and town and country planning.

The Government continued having to play the passive role of maintaining "private sector demand" in the country's major urban centres. "Regional considerations" were confined to dealing with the problem of achieving balanced and stable building activity among larger centres rather than being used to facilitate such objectives as promoting the growth of smaller localities. It was in the larger centres that unemployment constituted a political threat and was most serious. They were also where the building industry had the capacity and willingness to respond quickly to Government construction contracts. The amount and locality of commercial building activity was being carefully controlled through the building programmer's office. A number of Wellington projects had been deferred. [1]

As far as the regional development programme was concerned, regional councils were still trying to persuade Government to change its housing policies. Their efforts were to no avail. In a letter to the chairman of the K.C.R.D.C. the Minister of Trade and Industry, after consulting the Minister of Housing, said that he did not "...feel that there is any justification for a significant alteration to the standard Housing Corporation policy at present". [2] Acknowledging that"...there has been concern that where some regional cases have conflicted with these principles it has not been possible to assist", he went on: "However, the instances where the Corporation has been unable to assist are comparatively few and there is not

evidence of any worthwhile regional development project which has lapsed through the unavailability of housing assistance". [3]

For councils, these comments skirted the central issue, namely, the importance of their having the opportunity to increase housing stocks sufficiently to make their regions viable alternatives to the larger urban centres for industrial investment. Their experience in dealing with enquiries from industries suggested that the availability of housing had an important influence in locational decisions. Industries were often not prepared to wait for houses to be constructed and were invariably unwilling to engage in the usually protracted discussions involved in processing applications for housing assistance through government departments. The Minister of Trade and Industry, however, was not prepared to agree to making housing one of the "key" incentives in the regional development programme. He said: "The housing incentive was intended to cover situations when housing was critical to a regional development project and should be viewed as an additional measure for use when required rather than a key incentive influencing a locational decision". [4]

Neither had the councils any success in changing the Government's policies regarding the financing of existing houses. The Housing Corporation made the position explicit in noting that its "...involvement is directed towards the rehousing of the transferred personnel and in certain circumstances loan finance is available to companies provided emphasis is placed on new house construction". [5]

Taking the view that "...this facet of the development of industry in the King Country is of prime importance", [6] the K.C.R.D.C. wrote to several building societies and life offices to determine whether they could be of assistance. The following was a typical response:

> The Society's policy at the present time is to provide home finance to its policy holders so as to enable them to provide a home for themselves and their families. You will not be surprised to hear that at the present time due to forward commitments we are temporarily off the market and are unable to give any indication as to when we will again be inviting applications from our policy holders. (7)

A reply to a rather ingenious suggestion transmitted by the K.C.R.D.C. to the Parliamentary Under-Secretary of Trade and Industry made explicit the context within which the Government saw itself having to make regional development decisions and the degree of priority it was prepared to give the programme in relation to other matters. Essentially, the suggestion was that first mortgage investment in regional development areas by financial institutions should be credited as an investment in government stock. Replying, the Minister of Finance provided two distinct but interrelated reasons which made the implementation of such an idea "inappropriate". The first concerned the effect it would have on the Government's own financial affairs and on monetary policy:

> If investment on first mortgage in a regional development area were credited as an investment in Government stock this would reduce the total amount of funds available to meet Government's internal borrowing requirements and reduce the effectiveness of using minimum Government stock ratios as a means of regulating the supply of loanable funds made available to the commercial sector by banks and other financial intermediaries. (8)

The second concerned the investment decisions of financial institutions:

> You will appreciate that in the present economic climate funds available for investment in commercial and industrial buildings are limited, particularly in view of the large demand for housing finance. In these circumstances it is to be expected that lending institutions will give priority to financing investments which offer the best possible security and rate of return and these conditions are generally available in the major metropolitan centres. (9)

These comments not only confirmed the Government's unwillingness to undertake the financial costs which would result to itself in a vigorously implemented regional development programme and its ineffectual position vis a vis financial institutions under current monetary policy, but were also, it may be interpreted, justifications for its reluctance to interfere with the type of investment activity required to sustain economic activity in the urban centres.

The Government was still desperately short of developed sections. With a potential of 30,883 sites in hand, only 965 were fully developed.[10] The Housing Corporation reported:

> In many areas, supplies of suitably zoned building land have become exhausted and investigations had to be made into more difficult marginal land, which is often time consuming and realises less in terms of section production. Smaller pockets of residentially zoned land, where they exist, may be available but are frequently too highly priced or unsuitable for use. (11)

The Corporation also drew attention to the financial inability of local authorities to provide more serviced land suitable for housing development:

> Additional difficulties arise in areas where, although land capable of subdivision is available, the lack of finance to local authorities for main services prevents satisfactory arrangements being made for zoning and the ultimate development of the land. These difficulties occur not only in the major centres where studies on urban growth may already be under way, but also in an increasing number of provincial towns and some boroughs. Many of these centres have reached the limit of their expansion in terms of useable zoned land, or the capacity of their servicing systems, and face major expenditure in extending and upgrading existing facilities. (12)

Continuing, the Corporation pointed out that, "Frequently the lack of an agreed urban expansion strategy between adjoining local authorities necessitates lengthy procedures involving other departments, and hearings before the Local Government Commission. This situation is unlikely to improve without concerted action to establish firm policies relating to the extension of municipal boundaries within an overall growth strategy for a particular area". [13]

As a consequence of these problems, and in the interests of meeting housing demand and of sustaining building activity in the major centres, the Corporation was still having to purchase privately developed land: "To provide for an accelerated construction programme and to meet a public demand for lower and medium priced sections, land acquisitions remained at a high level, particularly in regard to developed sections in the main centres". [14] Over the year, of the 3369 sections added to the Corporation's stock "...1223 sections were bought from private subdividers in a partly or completely developed state". [15] While it was reported that "... the distribution of development has been further spread to meet the requirements of smaller communities", in effect the possibility of using the land acquisition programme as a means of redirecting growth away from

main centres into regional areas had had to be sacrificed in the interest of solving what were considered to be more immediate and pressing problems of producing houses and maintaining employment in the building industry.

This is not to suggest that the regional development programme was wholly unsuccessful. Over one hundred and sixty companies had received financial assistance of one sort or another over a two year period and the Minister of Finance was able to report that "...up to 10,500 employment positions have been maintained in priority areas and over 2,100 new positions have been directly created".[16] Nevertheless, these accomplishments demonstrated little more, in the words of one informant, than that the programme had become a "holding measure". Although it was not possible to obtain statistics on the loss of employment positions in regions during the two year period, it is possible that the total would have been greater than that of the new positions created. More importantly, the programme, while having slowed down the rate of regional decline, had had practically no effect on the rapid growth of metropolitan centres.

Rather than pursuing a national development strategy, the Government had been forced into playing a passive role in regard to national growth and development. It sought, however, to convey the impression that its decisions were being taken within the framework of a larger "strategy". For example, the Minister of Finance said: "The regional development programme is part of our overall industrial development strategy. National industrial growth objectives have not been subordinated to the pursuit of balanced regional development".[17] In May the Prime Minister released, as chairman of the Cabinet Committee on Policy and Priorities, a memorandum for sector councils which provided a framework for the "development of a long-term economic strategy". An appendix titled "Economic Strategy: Principles and Criteria" included the following comments among others:

> A high level of attainment of desirable social goals requires an improvement in the trend rate of sustainable long-term economic growth.
>
> Improvement of New Zealand's longer-term economic performance must come from higher productivity and this will require substantial changes in the economy.
>
> Full employment, both national and regional, is a basic social objective. Its key contribution to economic growth will be enhanced by an active labour market policy.
>
> Economic growth must be based on the best use of resources in all sectors. (18)

In effect, neither the "strategy" nor the "goals" were any more clearly defined than they had been under National administrations; however, these expressions retained their political value of imbuing what was essentially an ad hoc and politically expedient decision-making process with a degree of apparent consistency and conscious purpose.

Sacrifices were being made in other directions as well. The Opposition spokesman on housing, during the Budget debate, alluded to the nature of the supposed "partnership" being forged between the Government and the building industry. As originally feared by the former Housing Division of the Ministry of Works and Development, the design-and-build programme was producing, in large part, low quality housing. The programme of building homes for private sale was having much the same result as was construction in the low-cost field. Builders were insisting that restrictions (which applied to qualification for Corporation loan assistance) on the total cost of land and dwelling and the existing loan limits did not allow them to construct anything more than a small, rectangular dwelling. The housing committee chairman of the Waikato Builders' Association

observed: "... with fixed loan limits and higher section and building costs, the size of the average house is becoming smaller".[19] Significantly, however, the Government's willingness to negotiate land-and-dwelling package deals appears to have had the effect of bringing to the surface many more low cost sections than were supposed to exist in certain localities. In Hamilton City, for example, where there had been repeated reports of a "desperate shortage" of such sections, seventy-three were to be sold under the six thousand dollar ceiling between March and November.[20] The managing director of Peerless Homes was reported as saying that "...hundreds of sections qualifying for corporation finance were held by builders within the city boundaries".[21] In response to comments made by the representative of Appollo Building Associates Society that his group of fifty-five builders had only four low cost sections left, the director commented that most of these builders were "...small contractors - who just haven't got the land to fit the scheme". In contrast his company had "... about 50 or 60 sections which would qualify and another 80 will be available soon".[22]

Still short of developed sections and not wishing to increase Housing Corporation limits on "ingoing costs", the Government, in order to get tenders for State housing contracts and the production of low cost homes, had been forced to compromise "quality' or as the Housing Corporation phrased it, to seek a "middle course". Speaking of "ingoing cost limits" and noting that they had "...become subject to widespread and increasing criticism on the grounds that they are insufficiently flexible, do not make sufficient allowance for local needs, and consequently contribute to a reducing standard in the size and quality of homes", the Corporation pointed out that, "while there are strong arguments for the removal of any limit, these have to be measured against the desire to avoid the passing onto the borrowers of undue cost increases. In the short

run, some middle course appears essential".[23]

Explaining the situation that had developed regarding loan limits the Corporation said it had been "...caught both ways: by unprecedented demand and by inflationary costs ..." [24] and provided the following analysis:

> When the concept of the average loan was introduced in 1973 (and rigid loan limits removed) it was anticipated that it would be possible for the Corporation to increase the average loan at regular intervals, with the prospect at least of maintaining a constant relativity with ingoing costs and, hopefully, eventually of achieving a one-mortgage situation. Inflation, however, measured in ingoing costs has made the average loan reduce to the point where a deposit gap of $10,000 is now normal. With an ingoing cost of, say $23,500, the Corporation's average loan of $13,000 represented 55 per cent, or when supplements are added (for those qualifying for the $4,000 maximum) the total loan of $17,000 equals 72 per cent. In general this is the lowest ratio loan the Corporation has provided for many years. (25)

As a consequence of these problems and those referred to in regard to land acquisition, the "partnership" between the Government and the building industry had taken on an invidious quality for local authorities. More vigorous efforts were being made through the Housing Corporation to overcome obstacles to the housing programme at the local level. The reluctance of local authorities to consider "the initiation of innovative housing and subdivisional designs" and "the inconsistency of planning controls and standards" had, the Corporation observed, frequently resulted "... in the use of conditional use applications and specified departures under the Town and Country Planning Act 1953, with the accompanying delay in getting approval to schemes". [26] However, there was a more surreptitious side to the Corporation's activities. As

well as resorting to statutory procedures to accomplish its ends, it was also attempting to circumvent - as will be seen in the next section - local authority planning policies in the rush to get more dwellings constructed. Furthermore it was actively discouraging concern for proper local planning and taking advantage of weaknesses in existing planning schemes. This activity was abetted by some communities which lacked the interest and/or resources to produce schemes and were prepared to compromise building standards. In some instances where building interests predominated on local councils, there was even less interest in proper planning and the maintenance of standards. In others, there was a willingness to compromise in order to attract the interest of private builders. For the Government and other interested parties, given the current state of the economy, maintaining employment and producing dwellings had far greater importance than such considerations as town planning, the provision of services, and more balanced national growth. Certainly it seemed that, under the existing circumstances, calls from the chairman of the Town and Country Planning Appeal Board for local authorities to exercise greater influence over subdivision design and layout were to be in vain.[27] He, it is interesting to note, had been a member of the "Town and Country Planning Act Review Committee" which had submitted a report to the Government almost three years before involving recommendations for new planning legislation. Despite repeated promises this legislation had not been reduced into the House. The delay, it may be assumed, had been caused by the Government's reluctance to introduce the country's stock of low-cost sections. A replacement for the existing "Town and Country Planning Act 1953", if it were to accord with the Government's promises to encourage better planning and to increase the authority of local bodies, would have to include provision for binding the Crown to local and regional planning schemes. The degree to which the

Government had found it necessary to forego its objectives in the planning area was reflected in the fact that a great deal of its land acquisition activities had completely disregarded Amendment 2B to the "Town and Country Planning Act 1953" which had been passed early in 1973.[28] In the case of Hamilton City, for example, acquisitions had involved viable agricultural land.

Government had also used its land bank to overcome problems at the local authority level. Through property exchanges with private developers it obtained sections ready for immediate building and in this way managed to avoid negotiating development proposals with local councils taking a strong stand on their planning and service cost policies. No account was taken of the consequences these exchanges might have for the ability of local authorities to engage in forward planning work, and no attempt was made formally to include local authorities in the negotiations between Government officials and private developers.

Land exchanges also had the political value of removing the necessity for the Government to use its compulsory acquisition powers. The Housing Corporation observed: "Considerable progress has been made on acquiring by negotiation areas subject to notices of intention and in actual fact no land has been compulsorily acquired".[29] There was evidence to suggest (see next section) that confronted by obdurate property owners - who had formed "Action Associations" and were prepared to initiate lengthy court proceedings and to create embarrassing publicity - the Government had found it politically convenient to use compulsory acquisition only as a threat to stimulate negotiations. In cases where negotiations failed to make headway the Government often withdrew to search for property that might be more easily purchased. This was done despite

ramifications for local planning policies. In this context, certain of the Government's decisions could be seen to reflect a willingness to treat local interests as being of less importance than certain of its own considerations.

Nevertheless, expressions of commitment to such principles as a more balanced geographic distribution of economic growth and better local and regional planning continued to emanate from the Government. That these were unrealistic in relation to what Government was actually deciding reflected not so much a lack of sincerity, as the Government's position of encapsulation by a variety of forces over which it could exert little influence. The repeated reaffirmation by politicians of their commitment to certain objectives had the effect of throwing into sharp relief the degree to which they had found it necessary to engage in activities and decisions antithetical to their accomplishment. Comments made by the Prime Minister in an address to a Waikato branch meeting of the New Zealand Institute of Engineers illustrated this point. Completely ignoring the impact his Government's decisions were having, ne spoke of the "need for greater co-operation between local and central Government" and noted that "We in New Zealand have for too long accepted an uneven distribution of economic growth with a concentration of activity in metropolitan areas like Auckland and Wellington".[30]

Remarking that he had "become conversant" with some of Hamilton City's "planning problems", the Prime Minister went on to explain that for the Government the City's rapid growth was a "cause for concern" and that "No city or town can be allowed to expand indefinitely". Continuing, he pointed out that "Good rural land should not be taken over by unplanned encroachment for industrial or housing purposes" and argued for the type "of controlled" development which would "...ensure that

all harmful or wasteful development is prevented and that expansion does not outstrip transport, schools or other services". Ironically, as will become clear in the next section, it was the Government itself, together with certain of its departments, which was proving to be the major obstacle to the implementation of planning policies which provided for a planned approach to Hamilton City's expansion. These had already been prepared by the Hamilton Regional Planning Authority. Moreover, since the Housing Corporation had already purchased viable agricultural land on the City's boundaries for housing development the question of its protection from urban development was a foregone conclusion. That the Hamilton City Council had frequently expressed concern about the City's rapid growth and the necessity for central government co-operation in slowing it down, made the situation even more ironic. This was particularly so as now, three years after the Council had produced concrete suggestions about how such co-operation could be facilitated, the Prime Minister was to ask: "Do you envisage development of satellite urban areas or the dispersal of Hamilton's role as the main adminstrative centre for your region?" And to state: "Your choice will be significant in helping to decide how the Government plans the location of its own offices".[31]

Local authority politicans had become increasingly cynical about the possibility of the Government ever fulfilling its promises with regard to both national and regional planning and a strong local government structure. While the first steps had been taken towards structural reform with the passage of the "Local Government Act 1974", local representatives noted that measures had yet to be introduced which would provide local authorities with an alternative source of revenue and secure for them a more influential role in the planning field. At a conference organised

by the Urban Development Association on the new Act, a representative of the Municipal Association asked: "With this massive overhaul of local government that is going to take place in the near future should there not be at the same time, hand in hand, a positive financial provision in order to implement it to the best of the ability of all concerned?" [32] Another speaker expressed worry about the "good old ratepayer" who, he felt, was going to have to"foot the bill much bigger and greater than he has ever had to before". The Mayor of Hamilton observed "that any organisational structure that is set-up and given specific powers and functions that is not given the resources to carry out those functions ... is an exercise in futility", and went on to state:

> Unless Government gives some serious attention to its own investment policies at the present time it is going to be quite fruitless for some of us to talk about central and regional planning. Major investment policies have major regional and planning significance. They are not being made on the basis of consultation, they are just being made, full stop. I shudder to think that the task that confronts the A.R.A. and the Hamilton Regional Planning Authority in endeavouring to create order out of this particular situation is irrelevant. Effective decentralisation of government power depends on the local area having not only a technical organisation but finance as a right. (33)

The Government continued to promise action. In his Hamilton speech,the Prime Minister said that "...it may be necessary in due course to take measures to curb the growth of the Auckland urban area. One solution might be to direct future industrial development into secondary centres in Waikato or the Bay of Plenty". [34] The Minister of Works and Development repeatedly asserted that the Government proposed to introduce new legislation

which would give local authorities greater strength in implementing regional planning policies. At the Commonwealth South Pacific Regional Conference on Human Settlements he explained:

> We propose to add to the planning framework legislation to permit the Government and regional councils to purchase, plan and comprehensively develop areas designated for urban development.
>
> Areas publicly selected to accommodate city growth - be they large extensions to the urban fringe or satellite towns some distance away - will be designated and publicly purchased. (35)

Observing that "The A.R.A. and the Hamilton Regional Planning Authority ... were determined to shape their own future", he went on to say: "But if the growth strategies emerging from local and regional government were to succeed they would require effective support from central Government".[36]

Local authority politicans in the Auckland and Waikato regions, however, were no longer prepared to wait for the central government to provide "effective support" and were taking steps to stimulate more immediate action. Once again the Mayor of Hamilton appeared to be playing a prominent role. In a paper titled "Can We Afford The Future?"* he said: "The growth alternatives open to major urban centres such as Auckland, Wellington and Christchurch require to be the subject of urgent decision", and pointed to the need for "a clearly formulated New Zealand Planning and Development Strategy". Impatient with the lack of activity from the Government, the Mayor, as chairman of the Hamilton Regional Planning Authority, arranged a meeting between representatives of this organisation, the Waikato Valley Authority, and the Auckland Regional Authority to discuss "a possible basis for co-operation between the three Authorities". At the meeting, held on September 18, discussion ranged over

* Unpublished

such matters as the management of water and energy resources, rural development, the protection of high quality soils, the setting aside of areas for regional recreation, the provision of sites for refuse disposal and the general question of urban growth strategy. On the last matter the following was decided:

> Both the Auckland Regional Authority and the Hamilton Regional Planning Authority need to pursue growth strategies for their respective regions and it is important that these be compatible. It is obvious that the ability of either Authority to influence social processes is very limited as is the ability of Government to manipulate regional growth policies. However, every endeavour needs to be made to resolve a national and co-ordinated pattern of urban development for both regions. Further, to involve and oblige Government in the promotion and achievement of that strategy. (37)

In line with this it was decided to recommend to each of the organisations the establishment of a committee which would "be capable of influencing each organisation towards common purpose where desirable", "be in a position to jointly represent the interests of each organisation", and, "Afford a permanent framework of experienced political expertise to match the seniority of the Government in issues where there may be a regional/national conflict".[38]

In conversation, Hamilton's Mayor explained that he viewed the establishment of co-operative links with the A.R.A. as involving the principle of "countervailing power". If the two regions were to have any control over their own future patterns of growth and development, he argued, it was essential for them to be able to provide a common front on major resource allocation decisions affecting them both. To continue to act independently of one another would simply leave all three authorities vulnerable to the central government's ad hoc decisions. As the Mayor saw it, joint action would "oblige" the central government to take more account of regional

interests and to evolve a "national strategy" for the country's growth and development.

Discussion

Within a year of taking office Labour was forced to adopt the "rules of the game" applying under previous National administrations. Having failed to obtain the voluntary co-operation of builders in regard to its housing policies, having watched its attempts to stem speculative investment circumvented, and faced with increasing economic difficulties on all fronts, the new administration resorted to monetary controls and 'fine tuning' techniques of economic management. Through the former it sought to create the conditions for negotiation with those centres of influence which were critical to the implementation of its policies. Through the latter it attempted to sustain a tenuous balance between maintaining economic activity and containing inflation. In essence, the implementation of Labour's social policies became the subject for negotiation and compromise within the context of economic constraints and over its position of power relative to private interests.

By introducing credit restraints and issuing directives to lending institutions, Labour attempted to secure a base from which to negotiate the flow and direction of private investment. While these monetary controls contained the element of compulsion, their implementation was open to consultation through the Reserve Bank and were intended to be applied flexibly. They provided the means for dealing with lending institutions on a fair and equitable basis while, at the same time, allowing the Bank to take account of the particular circumstances of each institution and its willingness to co-operate with Government policies. Each institution was in the position of having to decide between the costs of accommodation and the possible adverse effects of the strict application of controls. The Government's anxiety to avoid creating a major disruption in investment patterns made negotiation possible.

The success of the Government's strategy and the strength of its negotiating position were dependent on its ability to influence the direction of investment through the "controlled" sector of the financial system. Unfortunately, the new credit restraints combined with a rapid deterioration in the country's terms of trade to create a serious shortage of private loan finance. A variety of "uncontrolled" financial intermediaries were quick to exploit this situation and by offering high rates of return to investors drew investment capital beyond the scope of monetary control. The cost of private borrowing soared which had serious consequences for those seeking mortgage finance. Unwilling to risk another round of inflationary price rises and speculative activity by substantially increasing the availability of mortgage finance, and handicapped by its interest rate controls, the Government chose to retain its credit restraints. Concomitantly it was obliged to accommodate such financial instruments as commercial bills as "safety values" or sources of investment capital for private companies.

The sudden growth of the "uncontrolled" finance market provided speculators with a reprieve from the new credit restraints. Many builders continued to construct 'spec' homes and to ignore calls for the production of low cost and State housing. Recognising the vulnerability of the Government's position, they threatened not to tender for State contracts unless steps were taken to make them more attractive financially. However, such demands as being able to recover increased labour costs were unacceptable to the Government because of their likely inflationary consequences.

With its housing objectives in jeopardy, and having lost the initiative at the level of monetary control, the Government offered the opportunity for negotiation, to builders through the introduction of the 'design-and-build" programme and associated measures. Caught between

an obdurate building industry and the problem of inflation the Government was prepared to compromise on such matters as construction standards and design. It was also prepared to seek compromise on such other matters as local body servicing requirements and planning policies. Despite this, most builders refused to give up the promise of large profits from 'spec' building. This was particularly so in Auckland where "uncontrolled" financial intermediaries continued to support speculative ventures.

Disappointed with the response from builders, the Government introduced direct controls over building activity. As in the case of monetary controls, these were regarded as open to negotiation rather than absolutes for rigid enforcement. Those builders who co-operated by tendering for State housing contracts and by building a reasonable quota of low cost dwellings found little difficulty in getting approval for the construction of more expensive dwellings. This was also the case for larger companies in relation to the construction of public buildings.

The necessity for building controls diminished as builders began to feel the consequences of the country's deteriorating economic situation and the effects of credit controls. Interest grew in tendering for State contracts and by the beginning of 1975 builders were urging the expansion of the State building programme. To all intents and purposes, the Government had the upper hand and talked confidently of entering into a "partnership" with builders and developers. A faltering economy had had the effect of shifting the power differential between the Government and builders substantially in the former's favour. But just as rampant speculative activity had forced certain compromises upon the Government so did the recession. New housing policies provided room to negotiate a "middle road" between the continuing problem of inflation and maintaining sufficient building activity to minimize unemployment. Matters open to compromise continued to be design and construction standards and the

planning and servicing requirements of local authorities.

Although obliged to adopt a "fine tuning" approach to its economic policies and to subordinate certain of its social goals in the interest of steering New Zealand through a difficult economic time, periodic adjustments to monetary policy during 1974 and 1975 were more than short-term responses to changing economic conditions and the machinations of lending institutions. They were also calculated steps towards the emancipation of lending institutions from interest rate controls. A less regulated financial system was a critical component of Labour's long-term strategy to remove the causes of speculative activity and some of the more invidious aspects of monopoly. Perhaps ironically Labour saw the "market" as being the key to securing social goals rather than State control of lending institutions. Within this context, the Superannuation Scheme was seen to have significance. The Fund would act as the weapon for breaking the monopoly control of a few private financial institutions and for providing a competitive stimulus within the financial system upon the introduction of a flexible interest rate policy. Suspicion that it would be used to nationalise the "economy" - largely propogated by the National Party - obscured Labour's real aim, i.e. the eventual elimination of monetary policies which encouraged, and accommodated, monopolistic practices and speculative activity. The Fund, together with the Government's land bank, would also provide the means for placing the building industry on a firmer footing in regard to forward planning and make it less vulnerable to manipulation by speculators.

On the question of regional development, the situation was less clear. The general manager of the Superannuation Corporation had been reported as saying: "We feel under an obligation to our contributors to do the best we can from our investments" [39] and the Government was making it clear that it expected the Superannuation Fund's management committee to follow the

"same investment criteria used by private institutions". In other words, the Fund was not to be used as an instrument for the Government's social policies or "good causes" except to the extent that it would be expected to meet the same security ratio, mortgage, or other requirements as its private competitors. What was not clear was how, if the Fund was to follow the investment patterns of private institutions, the Government intended to rationalise the Fund's operations with its anxiety about checking the growth of the main metropolitan centres.

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SECTION III

THE HAMILTON CASE STUDY

As the previous section indicated, the Labour Government's initiatives to sustain building activity and to increase the supply of moderately priced homes had inevitable consequences for local authorities in whose jurisdictions the activity was to occur on the ground. By means of a case study analysing a boundary extension proposal by the Hamilton City Council, this section explores the way in which one local authority attempted both to protect and to advance its interests within the context of national initiatives and the "growth and development" occurring within the City itself. The purpose of the section is to identify the critical components of the "strategy" which emerged in the City Council's endeavour to sustain a position of strength in its relations with "government" and "private interests". Chapter 11 provides a brief outline of the institutional context within which events occurred.

CHAPTER ELEVEN

INSTITUTIONAL BACKGROUND

The National Setting

During the period of research for this thesis regional planning was but one aspect of central government's moves to introduce new planning legislation to replace the Town and Country Planning Act 1953. New legislation was being considered within the context of substantial constitutional changes to the country's system of local government. The latter, which eventually took the form of the Local Government Act 1974, was seen, in turn, as connected to issues such as local body finance, national planning and development policies, and regional development. Though some reference to these matters has already been made, the Hamilton case study that follows, requires to be understood against at least a brief outline of the institutional context within which events occurred.

The principle of regional planning in New Zealand has been a source of controversy since its inclusion, in 1929, in the country's first planning legislation - The Town Planning Act 1926. Planning, under the 1926 legislation, was confined to two types of scheme: a town planning scheme which was conceived as applying to the larger urban areas; and an extra-urban planning scheme to cover the smaller urbanised areas within a county district.[1] The 1929 amendment provided for the voluntary preparation of regional planning schemes - based on land use classification - that would relate an urban area to its hinterland and facilitate the common use of natural amenities.[2] Local authorities were to bear the full cost of such planning.

No regional schemes were, however, prepared. Local authorities considered the costs prohibitive, given the financial difficulties of the Depression.[3] Equally, they

viewed regional planning as a threat to local autonomy.[4] They were unprepared to move voluntarily to a situation where co-operation with others threatened their freedom to control their own affairs; and, in particular, their independence of action over the expenditure of ratepayer's money and their own individual growth possibilities. As discussed in Chapter Three these attitudes remained identifiable among local authorities in the nineteen sixties and early seventies.

Except for an attempt - which also failed - to introduce a degree of regional co-ordination into the post-war reconstruction activities of the Organisation for National Development no further effort was made to promote regional planning until 1953.[5] The then National Government passed the Town and Country Planning Act 1953. This legislation provided for the creation of regional planning authorities by two or more adjacent local authorities.[6] In principle, however, it substantially followed the earlier Act. Clarification of the relationship of regional schemes to district (town) planning schemes amounted to the following:

> Every regional planning scheme shall be designed as a guide to Councils engaged in the preparation of district schemes, and also as a guide to public authorities and local authorities and all persons in relation to the conservation or development within the region of the public utilities, services, industries, amenities, and other matters dealt with or adverted to in the regional planning scheme. (7)

Once again, regional planning was left to the voluntary initiative of local authorities, the Government apparently being unwilling to raise the wrath of local authorities by making it a mandatory exercise. Over the following twenty years only six regional planning authorities were constituted under the terms of the 1953 legislation: the Northland Regional Planning Authority; the Auckland Regional Planning Authority (later to be incorporated

into the Auckland Regional Authority); the Wellington Regional Planning Authority; the Christchurch Regional Planning Authority; the Marlborough Regional Planning Authority; and the Dunedin Metropolitan Regional Planning Authority.

The practical effect of the 1953 legislation has been limited. While the Act provided the instrument for regional planning, the political will was absent. In discussing the potential of structure plans for determining the direction and form of urban growth, the protection of land, scenic amenities and historical sites, and facilitating the involvement of all levels of government in the planning process, the 1970 Physical Environment Conference commented: "There is nothing in the present legislation to inhibit the production of such studies and structure plans..."[8]

Equally, it may be observed, there is nothing in the 1953 legislation which prevents the implementation of such plans. The obstacles to effective regional planning appear to be inherently political rather than legislative. This has been recognised by most planners. Major recommendations for legislative change have focussed on the removal of political impediments to planning activities. For example, in a submission to the Town and Country Planning Act Review Committee, the Wellington Planning Group identified "two main reasons" why the 1953 Act "did not encourage or allow the development of a regional strategy".[9] The first pointed to the "optional" character of regional planning and to the "advisory" and "co-ordinating" role of regional schemes once operational.[10] The second dealt with the basis upon which the membership of authorities is constituted.

> Members of an authority are appointed by the territorial local bodies, and members therefore represent that body (council), (Section 8). It is therefore unreasonable to expect these representatives to serve a regional community when such service could, and over time almost

> invariably would, mean that that representative had to support a policy at variance with the policy of the local body which he represented.(11)

Among the Group's recommendations was that Part 1 of the 1953 Act should be completely revised.[12] This echoed that of other submissions. Included in the changes suggested were:

> Regional planning must be mandatory, with the Minister having the right to determine the agency by which it is carried out...
>
> The provisions of a regional planning scheme must be binding on all the territorial local bodies, special purpose authorities, and central government agencies.
>
> The regional planning scheme will determine, at the strategic level, the direction and character of urban development within the region, and it will provide the framework within which the district schemes will be prepared.
>
> The regional authority must be directly elected by a regional electorate and financed from sources independent of local body rates.
>
> Central government must be involved in the work of an authority at both financial and technical levels.(13)

The Group made particular reference to central government's role in facilitating regional planning and its failure to formulate a national planning policy:

> The Group does not believe that the sum of the policies of various government departments adds up to a coherent and consistent national land use and urban development policy, which should be determined at cabinet level.(14)

Political matters were also the concern of representatives of the six regional planning authorities who, in a joint

submission, observed that, "Because of the importance to planning of central government and departmental decisions... there needs to be greater initiative and commitment by central government in the planning process".[15] Further, regional planning authorities required to be independent of local authorities with respect to membership and finance. In their view it was also necessary that, "District planning authorities must accept the paramount role of the regional planning authority at the strategic and structural levels of planning."[16]

Over the years a similar perspective has emerged from numerous commissions of enquiry into matters such as local body finance, the structure of local government, regional development, housing, and so on. In 1971, The Housing Commission recommended the Crown be bound, subject to rights of appeal, to local authority subdivisional requirements and planning schemes.[17] The Crown's involvement in Government works and its responsibility for the national interest were seen to give it an obligation for leadership in planning matters.[18]

Local body finance, particularly the perennial question of a source of revenue to supplement rates, has been the subject of almost continuous enquiry. Recommendations have been made with implications for regional planning. The 1973 "Report Of The Local Authority Finance Committee" noted:

> We believe that a system of "revenue" subsidies should be introduced and directed to encourage the development of the most practical structure of local governments to effectively undertake functions which today and in the future will require a regional approach. It should be combined with a system of "incentive" subsidies which would induce local authorities to undertake activities which are not only in the local interest but in the national interest as well and which, if the local authority had to meet

> the cost unaided, might be regarded as of insufficient priority compared with other activities.(19)

The unwillingness of local authorities to co-operate with attempts to encourage a regional approach to local government functions is a consequence of the system of local body finance. Ratepayers expect their representatives to "protect" their interests and this has meant, apart from other things, the obstruction of any proposal, such as a regional planning authority, which might compromise a local council's control over the setting and expenditure of rates, and the ability to attract private investment.

Research for this thesis revealed that the overt criteria used for processing loan application approvals to local authorities reflect no concern for either the formulation or the implementation of national planning and development policies. Individuals associated with the Local Authorities Loans Board,[20] which is the body responsible for sanctioning loans, observed that the Board uses three basic criteria in its decisions: the local authority's ability to repay, and this depends on its rating base; the type of project for which the local authority wishes to borrow money; and the overall viability of the project, which is determined by circulating the application to all appropriate government departments for a thorough evaluation. In respect of the second criterion, the Board makes its decisions in accord with current Government policies. These policies vary with changes in the country's economic circumstances. During periods of economic difficulty it is not unusual for central government to restrict loan approvals to "essential" works, such as water and sewerage schemes. These are viewed as "essential" for both community welfare and, perhaps more so, their strategic importance for stimulating the economy through the building industry. Subsidies and grants are frequently allocated on a similar basis.

Planning, as far as the L.A.L.B. is concerned, is strictly confined to the administrative function of programming loans over a twelve month period so as to avoid a build-up of pressure on the loan market within any particular region. This function is carried out by a sub-committee composed of Treasury officials, the National Provident Fund, representatives of the Life Officers Association and other groups acting on behalf of private and public lenders. Informants observed that at no time had the L.A.L.B. been directed by the Labour Government to take account of the regional development programme in their decisions, or of emerging national development and planning policies.

The overall effect of the present system of local body finance is to benefit the largest urban authorities. Their large populations assure a substantial rating base, a priority in the loan market, and heavy subsidy assistance from central government. It also encourages local authorities to view each other in competitive terms over their future growth and access to central government assistance. Thus, not only does the system fail to promote a national approach to planning and development, but discourages the type of co-operation among local authorities necessary for regional planning. Indeed, it limits (at least in all the instances researched for the thesis) any substantial change towards "regionalism" to cases where local authorities are experiencing serious financial difficulties. In other words, for a local authority to agree to co-operate with another in the form of an amalgamation or some other type of substantial organisational change, is virtually a declaration of insolvency rather than expression of its commitment to "regionalism". In this context, the National Roads Board[21] has had an encouraging influence on re-organisation. In 1965 the Board noted:

> In the belief that strong, well organised units of local government are best able to spend roading funds efficiently, the Board has fostered the amalgamation of several small, weak counties and larger units. It has done this by agreeing to accelerated roading programmes in the counties concerned, generally to bring the roads of the weaker units as close as possible to the standard of roads in the larger units.(22)

The local body finance system has the appearance of being equitable, rational and beyond central government interference. The reluctance of central governments, it may be argued, to introduce a scheme such as the one recommended in 1973 requiring national planning and development objectives, has been a reflection of their unwillingness to shoulder the political risks such a scheme would bring with it. As observed in Chapter 3, the hesitancy with which central governments have pursued regional development policies is in part a consequence of their fear of the political punch of the country's larger urban authorities, and in part fear of the displeasure of other authorities not given priority for assistance within such policies.

The irony of the situation is that the behaviour of local authorities in limiting co-operation with each other and with central government - and the resulting absence of a co-ordinated approach to regional planning and development - leaves them vulnerable to manipulation by both central government and private interests.

Questions relating to local body finance, the membership of regional planning authorities and a variety of other matters have been the subject of initiatives to change the country's local government structure. Over the years central governments have been urged to pass legislation which will provide the statutory framework for regional governmental structures. Such structures, it has

been argued, would produce more effective and efficient local government by reducing the number of territorial and special purpose bodies operating throughout the country and by providing the machinery for coordinating the activities of local authorities on a regional scale. In 1960, the Secretary of Internal Affairs remarked that, "The concentration of the final responsibility for as many local government functions as possible in the hands of one authority in each particular area or region...is essential for co-ordinated policy and execution of regional development."[23] Thirteen years later the Town and Country Planning Act Review Committee noted that, "A revised and strengthened local body structure should result in greater technical and financial resources with a consequent improvement in the quality of planning at district level".[24] The 1973 Report on local body finance made a similar comment.[25]

As well as promoting regional co-operation and co-ordination, a re-organised local government system was also seen as the key to greater co-ordination and consultation between regions and the central government. It was envisaged that the formulation of national and development policies would emerge from this interaction and be incorporated into regional planning policies.

It is not the intention of this chapter to examine in detail central government efforts to re-organise local government. However, a brief discussion serves to place regional planning in a wider constitutional perspective.

Following the report of The Local Government Committee 1944-45, a Local Government Commission was established under the Local Government Commission Act 1946.[26] The central government hoped that the Commission would provide the vehicle for voluntary initiatives from local bodies to re-organise local government. However, from the beginning it bowed to pressure to weaken the Commission's authority to implement organisational changes. Under the

1946 Act provision was made for a poll of electors on any scheme involving the union, merger, or abolition of a territorial body. Such a poll could be recommended by the Commission or "upon a request in writing that such a poll be taken, signed by not less than 20 per cent of the electors of the district".[27] Subsequently, this was reduced to five per cent by the Local Government Commission Act 1953 as a result of pressure from local government interests. A proposal could be rejected by a vote of sixty per cent or more of the votes cast.[28]

By the middle fifties the Commission was already viewed as a failure. Because of the lack of co-operation from local authorities it had achieved only minor organisational changes. The 1958 Royal Commission on Local Authority Finance observed:

> Without their co-operation little can be accomplished and it is notorious that the Local Government Commission has not been able to accomplish very much. We suggest that the Local Government Commission be given power - subject to the right of appeal - to implement its decisions without the power of veto by a poll, but we also suggest that a serious attempt be made to secure the co-operation and support of the relative local body associations to such an amendment of the legislation.(29)

The associations, however, were not about to co-operate with any suggestion that would reduce their ability to "protect their ratepayers". Research indicated that every major scheme proposed by the L.G.C. and defeated by poll contained a change, or possible implication, which some group viewed as being financially detrimental to itself. It was these groups - often small - which, because of the general apathy of most electors, were able to use the poll provision to defeat schemes prepared by the L.G.C. Despite the fact that the preparation of these schemes involved a great deal of time and expense no central government

proved willing to take decisive action in support of the Commission. The 1960 Local Bills Committee report on local government pointed to the failure of successive governments to provide leadership for reform.

> While the responsibility to lead reform rests with Central Government, major reform has been deferred, mainly because of the possibility of distasteful reactions from electorates. In past deliberations on this subject it has been found extremely difficult to balance the interests of Central Government with the interests of local government, with a modicum of disturbance to personal or parochial status.(30)

During 1971, the National Government moved to re-organise local government after almost thirty years of frustrated work by successive Local Government Commissions to achieve voluntary changes at the local level. A series of discussions took place between the Secretary for Internal Affairs and the Municipal and Counties Associations. These discussions concerned legislative proposals to provide for the mandatory establishment of multi-purpose regional authorities. A draft Local Government (United Authorities) Bill was circulated to local authorities in the latter part of 1972. Under the legislation, which was to come into force on April 1, 1973, territorial authorities were to be required to combine into "united districts" under the administration of a united authority. In each district one territorial authority was to take charge of the authority's administration. Constituent authorities were to appoint members to the united authority and pay a levy to finance its operations. Each united authority was to be responsible for regional planning, provision and administration of regional reserves, and co-ordination of civil defence. Other functions for possible inclusion, where applicable, were urban public passenger transport

authorities, urban drainage and bulk water supply, airport authorities, area electricity authorities, and refuse disposal.[31]

National's Bill was a carefully worked out compromise between its desire for radical change through extensive amalgamations of local authorities and the latters' wish to retain the status quo. Both counties and municipalities were adamant that whatever changes took place these should not involve the elimination of extant local authorities (except by their agreement) or infringe upon their rights of decision. In return, the Minister of Local Government assured them they had no cause for concern. Implementation of the Bill, he explained repeatedly, would not involve the mandatory abolition of existing territorial authorities.[32]

Following the 1972 general election, the new Labour administration shelved National's Bill and quickly introduced its own proposals for re-organisation. As first presented the changes were more radical than those of the previous Bill. However, following months of meetings among local authorities, combined efforts by the Municipal and Counties Associations to pressure the new Government, and hearings before a Select Committee of the House, Labour's resolve weakened. A compromise was hammered out. It took the form of the Local Government Act 1974. This provided for the mandatory creation of either united or regional councils and for the voluntary transfer of certain functions - primarily those of special purpose authorities having a regional impact - from local authorities to the new bodies. Only regional planning and civil defence were made mandatory under the Act.[33]

The united councils resemble in principle the united districts proposed by National. Their composition was

persons appointed to them by local authorities within the region of their jurisdiction. They were to be financed by levies on these authorities and to be administered by a territorial authority. Regional councils, on the other hand, were quite different and much closer in constitution to the type of regional structures sought by both National and Labour. Their members were to be directly elected by the electors of a region and they were to have the power of direct rating. The administrative arm was to be completely independent of the constituent authorities and solely responsible to, and controlled by, the elected council.[34] Both types of council

> ...are empowered to enforce compliance with the provisions of an operative regional planning scheme, and they also have authority to take any land in the region where it is considered expedient or necessary to do so to ensure its proper use and development.(35)

Significantly, the Labour administration used the Local Government Act to re-constitute the L.G.C. and change the poll provisions. The Act restored the Commission's minimum membership to five (it had been reduced to three by the Local Government Commission Act 1967)[36] and gave it the "principal task" of preparing "...by 31 December 1979 or as soon as possible thereafter, schemes establishing regional governing authorities throughout New Zealand."[37] In regard to polls, the Act states: "Not less than 15 per cent of the electors of the combined areas to be included in a proposed new or united district, or of the whole of a proposed enlarged district, may request a poll".[38] For a proposed scheme to be defeated more than fifty per cent of the electors registered on the roll must vote against it. By implication non-voters are construed as giving approval to the scheme. These changes swing the poll procedure decisively in favour of the passage of schemes, something not ignored by the Municipal and Counties Associations

which described them as "undemocratic". Nevertheless, the L.G.C. is expected to consult with local authorities about the determination of boundaries of local government regions, and on the form of government to be adopted for each region.[39]

The majority of local authorities were indifferent to or favoured the united council format for regional organisation. Comments of local politicians in the Waikato region, for example, indicated that they had no particular interest in retaining control of civil defence. So long as they retained rating power and control over their own district schemes they were also largely unconcerned about the regional planning function. From their point of view, if a united council with very limited statutory and financial power was going to satisfy central government demands for reorganisation, they were prepared to play along. As one local politician observed privately: "Actually the whole thing is a bit of a farce."

And a farce it may very well become! Many commentators, independent of local government interests, have observed that effective regional planning and co-ordination depend on the emergence of regional bodies which are financially independent and directly elected.[40] United councils, it may be assumed (and certainly the majority of local authorities in the Waikato do assume this), will follow the pattern of existing regional planning authorities in conforming to the interests of individual territorial local authorities rather than actively pursuing policies of a regional nature. Mr. R. W. Harris, Chief Executive Officer of the Hauraki Catchment Board and the Regional Water Board, has observed that "...the levy, and nominated representation, will inevitably, create a sense of dependence upon, and responsibility to, the constituent Territorial Bodies, rather than to the people of the Region".[41]

The Labour Government made no changes to the system of local authority finance. The 1973 Report's recommendation of a subsidy scheme, which could be used to encourage "regionalism", appears to have been ignored. Labour reverted to "fine tuning" techniques through financial decision. "Managing the economy" took precedence over national planning. Consequently, the response of local authorities to Labour's re-organisation initiatives was one of alarm over their potential to weaken territorial local government in general (see previous chapters). The 1975 Municipal Conference unanimously endorsed the following resolution:

> That this Conference views with growing concern and increasing alarm the fact that contrary to the expressed intention of the Government to strengthen territorial local government as conveyed to previous conferences by the Minister of Local Government, central government...is:
>
> (i) Actively eroding the strength of local government:
>
> (ii) Negating the fundamental rights of the people:
>
> (iii) Moving New Zealand towards a system of comprehensive bureaucratic state rule and control.(42)

As well as generating suspicion among local authorities about its commitment to national planning and development policies, the Labour Government was also criticised by professional planners for not incorporating regional development as a function of new regional administrations. Indeed, Government made it clear that it viewed the operations of Regional Development Councils as being independent of these bodies. In the view of many planners this reflected a denial of the principle of planning and economic development being interrelated. The Government appeared to be continuing the tradition of subordinating the former to the latter.

The Local Setting

Considering now the situation in the Waikato region, and particularly around Hamilton, prior to the commencement of the case study, the following are the salient points.*

Prior to the 1961 Hamilton City boundary extension, the City Council and the Councils of the adjoining Counties of Waipa and Waikato had consulted each other over development and planning matters through a non-statutory committee called the Extra-Urban Planning Committee. Following serious disagreements over financial aspects of the 1961 boundary extension, this committee ceased to function. Communication between the City and the Counties was restricted to official correspondence between senior administrators.

In August, 1966, the Hamilton City Council moved to re-open relations with the two Counties with the suggestion that they and the City re-establish the Extra-Urban Planning Committee. Its purpose would remain that of providing a consultative link among the three authorities over the development of land adjacent to the City. However the past had not quite been forgotten and the Waikato County Council took the position that it was "unable to see any useful purpose in re-establishing the Committee". By the following March, after a series of meetings between various political representatives of the three authorities, there was a change of heart. At a joint meeting of representatives on March 9, 1966, the Chairman of the Waipa

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* References to City Council, County Councils, the Extra-Urban Planning Committee, the Hamilton Area Committee, and the Hamilton Regional Planning Authority files are not cited specifically, but the relevant file series numbers are included in the bibliography.

County Council stated that,

> He was in complete agreement that the local authorities meeting (sic) should work together otherwise they would fall together. He suggested that a formal Regional Authority was not wanted but unless the local authorities responsible proved capable of planning and administering the area this would be forced upon them.

This comment was supported by the Chairman of the Waikato County Council and the chairman of the Hamilton City Council Town Planning Committee, both of whom saw advantage in a regional committee allowing the three authorities to "manage their own affairs" and avoiding "a regional authority answerable to Wellington". Local politicians sensed the L.G.C. was prepared to take steps to establish a regional planning authority in the absence of planning policies for Hamilton City's future urban expansion. The Waipa County Council, apparently with financial support and encouragement from central government authorities, had already initiated an extra-urban study to assess Hamilton's future land requirements and possible alternative forms of urban expansion. This was published in September, 1965, and became known as the "Brown Book".

The new committee was composed of the Mayor, the Chairman, and two councillors from each authority. One of its early acts was to establish a sub-committee to examine the "Brown Book's"implications. The City Council also directed its planning staff to investigate "the ultimate urban development of the Hamilton area". Over the next few years the Committee met regularly to discuss various matters including drainage, maintenance of boundary roads, a transportation survey, a joint scheme for civil defence, and a common policy of protecting rural land from industrial and subdivision development.

At a meeting on March 19, 1969, the Extra-Urban Committee re-named itself the Hamilton Area Committee and adopted as its "main object" the co-ordination of all aspects of development in the Hamilton area. To this end an advisory committee, composed of Clerks, Engineers and Town Planning Officers of the three authorities and two nominees from the office of the District Commissioner of Works (of the Ministry of Works) was established. On July 25, 1969, the Hamilton Area Committee approved a proposal from its advisory committee for the preparation of an interim report on "a Hamilton area study". This was to involve a comprehensive survey of "...the present and potential use of all land in relation to national, regional and local development, public utilities, services and amenities", capable of being translated into "a generalised map and statement of policy" to act as a guide in the preparation of district schemes. Hamilton provided the staff and finance for the exercise and contributions came from the Counties in the form of information, advice and staff co-operation. Emphasis was placed on the fact that the final documents would have no statutory force, thus safeguarding the freedom of decision of the three authorities.

Renewed fears that the L.G.C. might impose a planning scheme for the area was a motive in this decision. A report prepared by the Clerk and Engineer of the Waikato County noted that"...the need is caused by the fear, real or otherwise, that the Local Government Commission will in time, bring down a mandatory scheme".

Meanwhile the Hamilton Area Committee strengthened its control over possible development beyond the City boundaries by obtaining approval from the three local authorities for the following two resolutions.

The boundaries of the city should be

> altered in future only after prior consultation through the Hamilton Area Committee and there should be no expansion of boundaries except as can be clearly justified by the needs of city development.
>
> Piece-meal industrial or urban type development outside the city boundary as it exists from time to time should be discouraged and land used outside such boundary should remain rural except in the case of specified areas where there is agreement as to future re-zoning for specified types of industry or other re-development and then only in accordance with an agreed development plan.

Consideration was also given to obtaining legal status for the Hamilton Area Committee thereby affording it the necessary powers to administer and enforce a combined plan once produced and approved. On May 7, 1971, the Committee, following recommendations from its Advisory Committee, resolved to form itself into a joint committee under Section 31 of the Town and Country Planning Act 1953, for the purpose of preparing a combined scheme. This was seen as expediently giving the Committee some statutory power while at the same time avoiding the necessity of establishing a regional planning authority. This proposal was abandoned when the Committee learned from its solicitors that legal complications could arise over the existing and proposed district schemes of the three local authorities. Instead, it was decided to push ahead with the preparation of a "staged development plan" which would "...provide for the formulation of a common policy on future urban growth, to guide local authorities concerned in the preparation of district schemes, and to ensure that actual urban growth takes place in a controlled, co-ordinated and rational manner". In effect, the Hamilton Area Committee preferred to rely on the good sense and co-operation of its parent local authorities rather than arm itself legally with decisional and administrative powers.

The Hamilton Area Study Report was completed by the

middle of 1972. On June 22, the Area Committee decided to table for one month resolutions to adopt the document. Further it resolved to "...meet at regular intervals to ensure that the Hamilton Area Study Report provides effective co-ordination of planning decisions made by the 3 Local Authorities". The Committee was still concerned about its lack of "legal status". Its members, constituted from the three local authorities, were by now even more worried about the implications of proposals emanating from central government for changes to the country's local government structure. (see previous section of this chapter). A sub-committee of the Mayor and the two Chairmen was given the responsibility to prepare recommendations to "bring into practical effect the implementation of the Area Study".

As observed earlier, neither municipalities nor counties were happy about National's re-organisation proposals. For the members of the Area Committee the idea of establishing a regional planning authority now took on a new light. Such an authority could be the means of pre-empting the Government's Bill and of giving the local authorities some influence over re-organisational proposals for the Waikato region. In a joint statement to the Area Committee, the Mayor and two Chairmen noted:

> We believe that a regional planning authority which includes the City and the two Counties is a positive first step which should make it unnecessary for the Local Government Commission or the Minister of Local Government to be concerned about planning developments in the Waikato area for a considerable time. From such a planning authority the Local Bodies in the area could develop a form of regional planning organisation which adequately meets Local and Regional needs. This seems preferable to simply standing by and waiting for outsiders to impose their particular schemes.

The Hamilton Area Committee considered the sub-committee's

recommendations and on July 28, 1972, resolved

> that the Hamilton City Council and Waikato and Waipa Counties each resolve, pursuant to Section 7 of the Town and Country Planning Act to unite with the others for the purpose of preparing a Regional Planning Scheme for the whole of the area within their several jurisdictions.

It was also decided that the membership of the new Authority should be "broadly" the same as the Area Committee, that the Hamilton City Council should be the principal Council, that costs should be paid on the basis of $\frac{1}{7}$ by each County and $\frac{5}{7}$ by the Hamilton City Council, and that the Hamilton Area Study Report 1972 be recommended as the basis of a section of any future regional planning scheme. Further, the Committee resolved:

> That in the meantime, the area study report be adopted as a guide in the administration of the district schemes of the three local bodies and that they each incorporate an appropriate policy statement to this effect in their District Scheme Statements and that the area committee continue to meet at regular intervals to ensure that the area study report provides effective co-ordination of planning decisions made by the three local bodies.

The Hamilton Regional Planning Authority was gazetted on November 9, 1972. Pursuant to Section 14 of the Town and Country Planning Act 1953. the Hamilton City Council was appointed principal Council. Before approving the country's seventh Regional Planning Authority, however, the Minister of Works expressed concern in correspondence about its membership being limited to the three authorities. Pointing out that under Section 7(5) of the Act "...in fixing the boundaries of any region for the purposes of a proposed regional scheme regard shall be had to natural geographic boundaries and to common social and economic interests", he went on to observe:

> I feel it would be very difficult to claim that the suggested boundaries of the proposed regional planning authority... could be regarded as meeting the criteria laid down in the Act. Your main concern is rightly the effective implementation and control of any planning policies on which agreement is reached, but perhaps it has not been sufficiently appreciated how events outside the proposed area could compromise the objective you have in mind.

Following a meeting in July with the Mayor and the two Chairmen, the Minister agreed to approve the Area Committee's proposal on the understanding that the new Authority would take steps to include Ngaruawahia borough as a member within twelve months and other boroughs as quickly as possible, preferably within five years.

The Area Committee, and its parent local authorities, had taken the position that the Authority's initial membership should be limited until the operative first stage of a regional planning scheme had been produced. The growth of Hamilton was their main concern and the source of urgency.

In fact, none of the regional boroughs, except perhaps Ngaruawahia, were interested in becoming members of the Authority. Neither did they want associated membership - which they had a right to under Section 9 of the Act. Interviews with representatives of each of the authorities suggested they viewed any association with the Authority as potentially involving a loss of control over their own affairs and costs from which they would derive no tangible benefits. At least two borough councils considered the Authority to be a covert instrument for Hamilton City to pass on to other local authorities a portion of the costs of preparing its own planning policies and of the provision of public services such as a regional bus system. As for the two Counties actually involved, they viewed broader

membership as potentially involving an urban power block against rural interests within the Authority.

Hamilton's Mayor - in an effort to ensure that nothing developed likely to threaten the Authority's operations from the point of view of County support, and to ameliorate any nervousness among regional boroughs concerning the Authority's immediate intentions - visited each of the latter's councils in turn and explained that the Authority's work would be initially confined to planning the City's future urban expansion, and in the meantime there was no reason for them to be involved. The boroughs welcomed the Mayor's comments using them as public justification for their non-involvement.

At the first meeting of the Hamilton Regional Planning Authority, on February 16, 1973, action was taken to ensure that the members did have a common and clear policy regarding urban development adjacent to the City boundaries. It was resolved:

> That the Authority endorse the principle of non-extension of City services which would permit urban development adjacent to the City boundaries.

The members also agreed to support one another before the Town and Country Planning Appeal Board should there be appeals to their respective District Schemes. Further, the Authority resolved:

> That a preliminary survey as required under Section 5 of the Town and Country Planning Act and based on previous studies carried out over the whole area of the Authority, be prepared for approval in conjunction with the Regional Planning Scheme.
>
> That the preparation of Section 1 of the Regional Planning Scheme as required under Section 6 of the Town and Country Planning Act and in accordance with regulations under

> the Act to cover the metropolitan area as suggested in the Hamilton Area Study, be proceeded with for completion by February 1974.

In effect, the recommendations of the Hamilton Area Study were to be published in statutory form as Section I of the Regional Planning Scheme. After approving this section on August 23, 1974, the Authority authorised that steps be taken, in accord with the Town and Country Planning Act 1953, to have it made an Operative Scheme. Included in these steps was the provision of a Certificate of Compliance from the Minister of Works and Development. This document, as is noted in the case study below, took a year to emerge from the Minister's office despite "very favourable" comments on the Scheme's form and content from the Town Planning Branch of his Department. While Section I was being prepared and processed, action had been taken in regard to the preparation of Section II. The H.R.P.A. resolved, on November 16, 1973, under Section 5 of the Act, to complete a preliminary resource survey for the remainder of the region. Interestingly, it was decided to place greater emphasis on "...the evolvement of policies and objectives for the conservation or development of natural resources". This was in line with a recommendation contained in the 1973 Town and Country Planning Act Review Committee Report that,

> The regional planning matters to be included in the Act as matters to carry paramount importance in a regional planning scheme are the regional strategies, policies and objectives for natural resources, housing, employment, transportation and major public open space whether land or water.(43)

In effect, the H.R.P.A. had pre-empted Labour's promises for reform to the existing planning legislation. By so doing it emphasised that the 1953 Act in itself did not

prevent progressive planning.

In May, 1975, the H.R.P.A.'s planning consultants were commissioned to undertake a Section III programme which would result in a Regional Planning Scheme for the whole of the area under the Authority's jurisdiction. By this time, the Authority's membership included the boroughs of Huntly, Ngaruawahia, Te Awamutu, Cambridge and Otorohanga County. They joined on May 23, 1975. Each was entitled to one representative and was to pay a contribution of $500 p.a. to the Authority.

The H.R.P.A.'s expanded membership did not necessarily reflect an upsurge of interest in regional planning among the new members. Labour's Local Government Act 1974 was operational and the local authorities were anxious to secure themselves against the possibility of being forced to become members of a regional council. This was so equally for the original members of the Authority, each of which had agreed previously that the H.R.P.A. should provide the basis for a united council. Such a proposal, however, would involve broadening the Authority's membership to make it a more representative regional body, and thus acceptable to the L.G.C.

Once again Hamilton's Mayor visited the regional boroughs, this time to play on their fears of local re-organisation. To a "vitally interested" special meeting of the Te Awamutu Borough Council he was recorded as saying that, "It was his opinion that more can be gained with the implementation of the planning concepts and Civil Defence of the United Councils...", and that "...should the internal Local Authorities in an area be able to demonstrate a willingness to co-operate and bring about the full utilisation of facilities, then the Commission would forget about the abolition of Counties and Boroughs as such".[44] He also emphasised that having

become members of the H.R.P.A. local authorities would still retain control over their individual district schemes.

A local politician remarked privately a few months later that membership in the H.R.P.A. was of little practical consequence to his council, but from a political point of view it was relatively inexpensive security for its continued independence.

The Mayor's exploitation of fears of re-organisation among regional borough councils was not motivated wholly from a narrow concern for protecting the Waikato region against the importation of a regional council. To broaden the H.R.P.A.'s jurisdiction was very much part of his wider strategy of "countervailing power", referred to previously in Chapter 10. The Mayor well understood that the practice of private building and development companies in exploiting the lack of co-operation and co-ordination among local authorities within regions and between authorities and the Government, posed a serious threat to the H.R.P.A.'s ability to safeguard its planning policies. This threat had been exacerbated by the Government's willingness to enter into land exchange and development deals with private companies. The Mayor recognised that the H.R.P.A. would remain vulnerable to the political and financial machinations of the Government and private companies so long as regional planning and political co-ordination were confined to three local authorities.[45]

REFERENCES

1. Report of Local Government Committee, Appendix to the Journals, Volume 11, I-15, 1945, p.25.

2. loc.cit.

3. loc.cit.

4. loc.cit.

5. The anxiety of many local authorities to exploit the central government's reconstruction programme, and to secure their competitive positions in relation to the financial benefits it offered, undermined efforts to produce a national plan for assisting returned servicemen.

6. Section 8(1) of the Town and Country Planning Act 1953, New Zealand Statutes, 1908-1957, Volume 15, No.91.

7. Section 3(2) op.cit.

8. Report of the Working Committee of the Physical Environment Committee on Urban Development and Expansion, The Physical Environment Conference 1970, Government Printer, May 1970, p.171.

9. Wellington Planning Group, Submissions to the Legislation Review Committee, exact date unknown, p.7.

10. ibid.

Section 3(2) of the Town and Country Planning Act 1953 states:

> Every regional planning scheme shall be designed as a guide on matters referred to in the First Schedule to this Act to Councils engaged in the preparation of district schemes, and also as a guide to public authorities and local authorities and all persons in relation to the conservation or development within the region of the public utilities, services, industries, amenities, and other matters properly dealt with or adverted to in the regional planning scheme.

Section 4(3) states:

> In determining an appeal under the foregoing provisions of this section, the Board shall have full regard to the need for co-ordination of district schemes within the region as well as for the co-ordination of works within any district scheme, and shall direct amendments (if any) be made to either or both of the schemes.

Under Section 12(2) (b) a Regional Planning Authority may

> ...make recommendations with respect to the preparation of district schemes for areas within the region; and, where it thinks it necessary, to lodge an objection or appeal in respect of any provision in a district scheme that conflicts with any provision in the regional planning scheme.

The legal judgement most frequently quoted regarding the meaning of certain sections of the Town and Country Planning Act 1953 for regional and district planning is that of Mr Justice Quilliam in Hutt County Council v. Wellington Regional Planning Authority. In part, it stated:

> ...the tenor of s.7 is primarily that local authorities shall themselves elect to unite for regional purposes. It is for them to decide that they should, for regional matters, seek the assistance which they may expect to derive from a comprehensive survey of their combined districts. If by doing this they are thereafter to accept the dictation of the body they have created then one might expect to find that stated somewhere in the Act in clear terms. Unless s.4 has such an effect there is nowhere in the Act any such indication. Indeed, it would seem that the contrary is the case.
> (K. Enright, Metropolitan Planning: Current Problems and Possible Options, N.Z. Planning Institute Conference, Whangarei, May 1972, p.2.).

11. ibid.

12. ibid, p.8.

13. ibid.

14. ibid, p.9.

15. Submission forwarded by the Dunedin Metropolitan Regional Planning Authority on behalf of the six regional planning authorities constituted under the terms of the Town and Country Planning Act 1953 - exact date unknown.

16. ibid.

17. Report of The Commission of Inquiry, Housing in New Zealand, Government Printer, April 1971, p.179.

18. Town and Country Planning Act Review Committee, Report to Government, September 1973, p.2.

19. Report of the Local Authority Finance Committee, Local Authority Finance in New Zealand, Wellington, June 1973, p.87.

20. Under the Local Authorities Loans Act 1956, all loan proposals of local authorities require the sanction of the Local Authorities Loans Board, a body presided over by a senior officer of The Treasury and made up of representatives of central government, municipalities and counties. (J.H. Gray, An Outline of Local Government in New Zealand, Christchurch, Hillside Publications, 1976, p.21).

21. The National Roads Board is required to provide a roading system adequate for New Zealand's needs. It is chaired by the Minister of Works and has ten members representative of private motorists, commercial vehicle owners, counties, municipalities and the State. Government members are in a minority. New Zealand is divided geographically into 22 roads districts in each of which there is a body known as a District Roads Council, advisory to the National Roads Board. (J.H. Gray, op.cit., p.20).

22. National Roads Board, Roading Survey, 1 April to 31 March 1965, Government Printer, p.16.

23. Submission by the Secretary for Internal Affairs, exact date unknown. For detailed findings of the Committee's work see: Report of the Local Bills Committee of the House of Representatives, The Structure of Local Government in New Zealand, 1960, Government Printer.

24. Town and Country Planning Act Review Committee, Report to Government, September 1973, p.3.

25. Report of The Local Authority Finance Committee, Local Authority Finance in New Zealand, Wellington, June 1973, p.8.

26. The Local Government Commission comprised a Chairman with "the qualifications necessary for appointment as a Judge of the Supreme Court", an appointee of the Governor-General in Council who was "to have a special knowledge of local government", and two individuals appointed from a panel representing the following associations: The Municipal Association of New Zealand; the New Zealand Counties Association; the Electric Power Boards and Supply Authorities Association of New Zealand; the Hospital Boards Association of New Zealand; and the Harbour Boards Association of New Zealand. Its functions

> ...included the review from time to time of the functions and districts of local authorities, and inquiry into proposals, and preparation of schemes

> of reorganization, and generally to review and report to the Minister of Internal Affairs upon such matters relating to local government as might be determined by the Commission or referred to it for examination by the Minister. (Report of the Local Bills Committee of the House of Representatives, The Structure of Local Government in New Zealand, 1960, Government Printer, p.183).

As well, it was responsible for preparing "organisation schemes" on the following matters:

> (a) The union into one district of two or more adjoining districts, whether districts of the same kind or not.
>
> (b) The merger of any district in any other district.
>
> (c) The constitution of a new district or districts.
>
> (d) The abolition of any district or districts.
>
> (e) The transfer of all or any of the functions of any local authority to any other local authority.
>
> (f) Any alteration of the boundaries of outlying districts.
>
> (g) The conversion of a district into a district of a different kind.
>
> (h) The inclusion in any district of an area adjoining that district.
> (Report of the Local Bills Committee, 1960, loc.cit.).

27. Report of the Local Bills Committee of the House of Representatives, The Structure of Local Government in New Zealand, 1960, Government Printer, pp.183-184.

28. loc.cit.

29. ibid., pp.193-194.

30. ibid., pp.194-195.

31. Minister of Local Government, The Local Government Bill Address Notes, exact date unknown.

32. ibid.

33. The Department of Internal Affairs, The Local Government Act 1974 - A Guide to Its Operation, December 1974, pp.17-24.

34. ibid., pp.12-14.

35. ibid., p.18.

36. ibid., p.1.

37. ibid., pp.8-10. Under Section 18(2) of the Act the L.G.C. is required to take the following matters into general consideration when enquiring into any proposal for a scheme:

    (a) Whether the proposal conforms to general principles of town and country planning.

    (b) The desirability of ensuring that the boundaries of the district of any local authority affected are stabilised for a reasonable period.

    (c) The possible effect on any territorial authority of the exclusion of any area from its district.

    (d) The possible effect of any local authority operating both on electricity supply undertaking and a gas supply undertaking of any proposal having the effect of placing the control of each undertaking under separate authorities.

    (e) The water catchments or other geographical features of the area in which the proposal relates.

    (f) Such other matters as the Commission considers relevant.

39. Local Government Commission, Regions of New Zealand - Preliminary Appraisal, May 1976, p.1.

40. See references to submissions to Town and Country Planning Act Review Committee.

41. Harris, R.W., The Case Against United Councils, Te Aroha, 7 July 1975, p.5.

42. Recorded in the minutes of a meeting of the executive of the Municipal Association of New Zealand (Inc.), Wellington, 20 May 1975, p.5.

43. Refer to Town and Country Planning Act Review Committee, op.cit., pp.7-8.

44. Minutes of a special meeting of the TeAwamutu Borough Council, 8 May 1975.

45. By 1975 private companies were applying pressure on the City Council and the H.R.P.A. to change their policies for land development. A submission from Odlins Limited on behalf of private builders observed:

> A number of building companies, whose activities in Hamilton are limited by shortages of land, may close operations in Hamilton, and divert their capital to other large North Island towns if they are unable to develop further land. This would result in losses both of business to local supplying contracting firms and of jobs.

The Council could not afford to ignore the serious political and practical ramifications an exodus of private capital would have for the City. It could expect protest from Hamiltonians should increasing unemployment and housing shortages be seen to be linked to a refusal to facilitate City development. If the recession deepened it was predictable that people generally would become far more concerned with employment and housing than securing policies for co-ordinated and rational planning.

The Mayor was anxious not only about the Council's ability to preserve planning policies but also about the danger which would arise should the City Council offend the business community and lose, in the process, public support. As he saw it, there was a threat that builders and developers might forward their own slate of candidates in the next local government election and "take-over the City".

During the last few months of 1975 the Mayor talked more readily, in private, about the need to be able to accept compromise, and sometimes referred to the goals and objectives of the City's town planners as being a little "idealistic" given "political realities". In public he continued to display a strong front while, at the same time, attempting politically to co-ordinate the activities of local authorities into a position of "countervailing power".

CHAPTER TWELVE
HAMILTON CITY BOUNDARY EXTENSION

To reinforce its policy against land speculation the Government embarked upon a series of quite sizeable land acquisitions throughout the country. Without this action it appeared that manipulation of the land market would continue largely unfettered by such measures as the speculation tax and directives to financial institutions. Both individuals and companies had managed to develop techniques for circumventing government policy initiatives. Financial support from a variety of finance companies and access to funds held in trust by solicitors and accountants had provided a number of larger property owners with a period of respite from the immediate consequences of the Speculation Tax Act. As has been observed, it was not unusual to find that companies established for property investment purposes included solicitors and accountants among their major shareholders.[1] Trust funds and contributory mortgage schemes were tapped to finance these ventures and in certain instances without the prior knowledge, and thus approval, of the people for whom the money was being held in trust. Larger companies had also taken steps to thwart government controls. These often came in the form of sideline financial operations specifically set-up to protect a company from the affects of Government decisions.

As part of its land acquisition programme the Government announced on October 31, 1973, that it intended to purchase 483 acres of land on the outskirts of Hamilton City. In his Notice of Intention to the landowners, the Acting Minister of Works explained:

> In order that land is secured and Government's housing policy implemented, it is considered necessary in certain key areas that the powers of compulsory land acquisition should be used pursuant to the Public Works Act 1928.[2]

That the area was a "key" one had become apparent to certain vested interests quite some time before the Government's announcement. Known as Horsham Downs

and situated within the Waikato County, it had been identified in the Hamilton Area Study as one of the most suitable locations for urban development on the City's north-east perimeter. Negotiations were already in progress through the recently formed Hamilton Regional Planning Authority to have this and other land transferred from the Waikato and Waipa Counties to Hamilton City.

It is important to note that the H.A.S. represented a major step in the evolution of a planning framework for the region. Its purpose was

> ...to provide a basis for the formulation of a common policy on future urban growth, to guide local authorities concerned in the preparation of district schemes, and to ensure that actual urban growth takes place in a controlled, co-ordinated and rational manner.[3]

However, soon after its publication, the H.A.S. became known as the "speculator's handbook". Providing an extremely detailed set of recommendations regarding "possible" future urban growth areas, it afforded to the private sector a remarkable opportunity for relatively risk-free investment. The decision to make the study public and thereby divulge the likely directions of future urban expansion was taken on the grounds that it would be virtually impossible to keep the document confidential. Indeed, shortly after the study had been completed and circulated to City Councillors, members of the County Councils and Government officials, developers and speculators became aware of its existence. The City planners were soon being approached for copies. One developer it is known had momentary access to the Study in the course of a visit to Wellington. To save embarrassment for Council staff and Councillors, some of the latter being involved in land development in their private capacities, it was decided to release the H.A.S. The probable reper-

cussions were clear but there appeared to be no other reasonable course of action.

At this point, it should be noted that the Horsham Downs area included one of two 500 acre growth cells identified by the Hamilton Area Study for early inclusion in the City. In preparing its recommendations for the first stage of the City's expansion programme, which was to accommodate growth for a five year period, the Hamilton Area Study took account of the ease with which areas of land could be serviced.

> The first five year stage of expansion (1976-1981)...needs to utilise initially all those areas which can be brought into the existing network of services and roads without major capital expenditures. At the same time, the additional land required to accommodate the balance of the projected population increase for this stage should be located so that the provision of services by simple extension of existing facilities can be guaranteed within the time available.[4]

As well as cost, the Study was also concerned about speed. Since the City's population was expected to increase from 90,000 to 107,000 between 1976 and 1981, it was necessary to make "...immediate use...of any land which can be developed quickly".[5] It was noted: "To accommodate this number of people at 10 ppa and 80 per cent occupancy, approximately 2130 acres will be needed".[6] Certain "peripheral areas", which could be "serviced from existing utility reticulations", combined with "two growth cells", would provide approximately 1820 acres. The "cells" chosen, because "the expense of development can be kept to a minimum", were: Rotokauri Road/Lees Road/Exelby Road - Rotokauri 1 Growth Cell: and Rototuna School Road/Sylvester Road - Horsham Downs 1 Growth Cell. The Report observed:

> Each is approximately 500 acres in extent and each can be serviced without difficulty. The sewerage interceptor required to service Horsham Downs 1 growth cell would have an immediate connection to the Eastern Interceptor at Rototuna School Road, while 2½ miles of interceptor would have to be constructed to serve Rotokauri 1 growth cell from a direct connection at the 'Treatment Plant'. In both areas, existing major roading systems have adequate capacity to cater for traffic volumes likely to be generated.[7]

Elsewhere, the Study explained that the "major problem" associated with the Horsham Downs cell was the lack of a roading system which could provide "...the connections between this sector and the present commercial and industrial areas of Hamilton".[8] Continuing, the Study said:

> These connections are dependent on good access across the river, and the existing bridges have only limited spare capacity. Further expansion in this north-east area will be governed by the availability and capacity of future cross-river links. Some relief would be obtained by the early construction of the motorway system with its river crossings and city links if the system could be used by urban traffic. The greatest relief to this flow of traffic between the old and new urban areas would result from the early establishment of commercial and industrial centres within the areas of expansion.[9]

The "motorway system" referred to was the proposed Auckland-Hamilton Motorway. The Study observed that, "Long-term developments will be influenced by ...whether it will accommodate urban traffic, or only long-distance traffic on a 'rural' route with few interchanges".[10] As will be seen, the motorway was soon to become a serious source of disagreement between the City Council, the National Roads Board,

and the Housing Corporation in respect of the provision of "buffer zones". The location of the 'Treatment Plant', it is also worth noting at this point, had been decided well before the completion of the H.A.S. As one informant observed, its positioning, which allowed for the servicing of the City's northward expansion, had been very much a matter of "luck", rather than deliberate planning. A further matter worth mentioning at this juncture concerned the agricultural potential of land in the Horsham Downs area. The H.A.S. observed:

> While the objectives proposed in this Area Study include the principle that: 'wherever possible, urban development shall be planned to avoid the most valuable farmlands...', it is apparent ...that some urban expansion on to good farmland must be accepted.[11]

Regarding Horsham Downs the H.A.S. noted: "The soils of the area have average agricultural potential, and at present most of the land is in rural usage".[12] This, given "the objective to keep good farmland in rural production for as long as possible"[13] was, in the opinion of the Study, the only major constraint on early urbanisation. However, as will be shown, the use of the area for residential development continued to be a source of worry in certain quarters. It was not at all clear from the Study what was meant by "average agricultural potential". The description seemed to be based on a comparison with land to the south-east of the City which was "...carrying some of the highest stock densities in New Zealand".[14] It was observed: "This productivity has been recognised as a restraint to urban development south-east of the present city".[15] No such restraint existed for other areas even though the H.A.S. made the following point: "In considering soil factors with regard to the expansion of Hamilton City, it could be argued that such expansion should be curtailed in the

interests of the national economy, to avoid removing some of New Zealand's most fertile land from primary production".[16]

The above future sources of controversy will be put aside for the moment.

Despite the warning that the H.A.S. should be taken as an "indicative" plan only, it was treated as a firm outline of the future direction of City expansion by development companies. Not surprisingly, landowners in the delineated areas were suddenly swamped by a rash of very attractive financial offers for their properties. Land prices soared as real estate agents vied with one another and competition between companies became more ferocious. A virtual land auction quickly took shape. The City Council, restricted by law and its limited financial capacity, could only watch the development of a situation which had the potential to undermine its forward planning policies. When it came time to purchase land for public services and amenities, the Council would find it necessary to expend large sums for what it required. And, as far as planning policy was concerned, a co-ordinated approach to development now appeared to depend on the possibility of reaching acceptable overall agreements with private development companies and individual landowners. In this regard, the municipal planners felt that the purchasing activities of private companies could enhance the possibility for co-ordinated development by reducing the number of property owners involved in the planning process. But there remained a number of individual landowners and small companies likely to speculate on future events rather than to become party to rational planning.

If the goals outlined in the H.A.S. were to be achieved it was essential for the City Council to

retain control over the major aspects of planning. Also there had to be a sensible formula for sharing servicing costs. The Council made clear to private developers that it expected comprehensive plans to conform to the guidelines contained in the Study and that there would be a sharing of the costs of connecting the new residential areas to City trunk services. The Council's negotiating position was strengthened by the fact that it could control, with the co-operation of the Counties, the process whereby rural land designated for residential development was brought into the City and finally developed. Firstly, the Council, together with the two County Councils, could act to have the City boundary extended; indeed, because the proposals in the H.A.S. were only "indicative", the Regional Planning Authority could still change its mind about such matters as which land to transfer to the City and when. Secondly, following the boundary extension, the City had control over the actual zoning of the land; it could, if need be, refuse to re-zone the land for residential development. Thirdly, it was the Council's prerogative to make policy regarding the extension of trunk services to the new areas. And, in the final analysis, once the land had been transferred, the City Council was the approving authority for all development proposals.

By using the powers given to it under the Town and Country Planning Act 1953, and other legislation, and by controlling the provision of trunk services, the Council could retain the initiative in negotiations with private developers. The Mayor repeatedly observed that the H.A.S. was an "indicative" document and not a firm outline of the Council's intentions. The Council had yet to conclude firm agreements with the Counties concerning such matters as the timing of the boundary extensions, the amount of land to be transferred, and the exact areas for inclusion into the City. Privately the Mayor told his closer

associates that should private developers attempt to circumvent the City's planning objectives then he would endeavour to encourage the Regional Planning Authority to endorse policies different from those recommended in the H.A.S. For example it was quite possible to adopt earlier dates for boundary adjustments in certain areas on the perimeter of the City and delay others. If such action was taken developers could be left holding large areas of rural land, at considerable cost to themselves, which had been "indicated" for early residential development. By reiterating that the H.A.S. was an "indicative" document the Mayor was securing the City's position on this matter. Should developers suffer adversely as a result of future Council decisions, they would be hard pressed, particularly from a legal point-of-view, to argue that they had been mislead or that the Regional Planning Authority had an obligation to adhere to the policies contained in the H.A.S.

Of the lines of defence available to the Authority the boundary extension itself was considered by the Mayor and some of his Councillors to be the most critical.[17] Once the extension had taken place the City Council could expect to come under considerable public pressure to allow residential development to occur as quickly as possible. Such pressure could work to the advantage of developers who might not wish to conform to the H.A.S. and be unwilling to absorb certain servicing costs. Even before the publication of the Study, the increasing shortage of subdividable land within the existing City boundaries was generating pressure on the Council to move quickly to find land for residential development. What land remained tended to be of difficult terrain requiring costly development and therefore only suitable for expensive homes, or so developers argued.[18] Some City Councillors had become very worried about the section shortage.

At the inaugural meeting of the Hamilton Regional Planning Authority in February 1973, Councillor Heather, who was to become the Deputy-Mayor, suggested that the timing of boundary extensions, as outlined in the H.A.S., should be reviewed. He observed that section prices had been rising rapidly and were already becoming "ridiculous". For this reason, he argued, consideration should be given to extending the City's boundaries earlier than had been envisaged by the H.A.S. Delay might result in an "astonomical" rise in land values, placing sections beyond the reach of middle and low income people, whereas to increase the supply of land quickly would keep prices at a reasonable level. He noted that 1976, recommended as the time for extension in the H.A.S., was "too far away". Another City Councillor, Mr Page, warned against hasty action. While he was prepared to acknowledge that the extension timing needed review he did not want the H.R.P.A. to be "pushed into expansion". Land development companies, he felt, were "confusing the situation" by deliberately limiting the amount of land available for housing. Their practice of buying up extensive areas within the City and "sitting on them" was a ploy to force land prices up. While this continued he was not inclined to treat the suggestion of an earlier boundary extension sympathetically.

Thus began an exchange between the two Councillors which would flare-up periodically during the next three years. There was ample evidence to suggest that Councillor Page's suspicions were correct. Companies found it sensible to restrict section supply, not only in an endeavour to control the market but for taxation reasons as well. Larger real estate firms were known still to have quite extensive land holdings in the City and individuals with sizeable properties had been following the practice of placing only a small number of sections on the market each year in order to avoid

heavy taxation. To this degree, the section "shortage" was artificial and a manifestation of the manipulative activities of land developers and other interests. Nevertheless, given the dwindling supply of sections and the difficulties being experienced by young people, Councillor Heather's solution was an enticing one. But the problem was clear: if the Authority accelerated the extension timetable could it, at the same time, retain its position with respect to the actual planning process?

After the H.R.P.A. discussion had concluded, the Authority resolved to appoint a sub-committee "...to explore the suggested need for advancing the timetable indicated in the Hamilton Area Study Report". At the following meeting in May, the Authority received a preliminary report on the committee's investigation and was informed that there was reason to believe that "...there may be justification for accelerating the extension of boundaries". The sub-committee submitted an "interim" report to the H.R.P.A. for discussion at its August meeting. Based on an analysis of the City's rate of growth and the amount of land remaining for residential and industrial development the report stated:

> From these preliminary figures it appears that by mid 1975 there will be 80 per cent occupancy of all Residential A. land within the City. It is therefore considered that, in the interest of exercising some control on excessive land prices and providing some choice of site, extension of the City boundary should ideally take place as early as possible after the middle of 1975.*

This conclusion supported Councillor Heather's observations concerning rising section prices and the diminishing choice of properties available to prospective home owners. The sub-committee's submission also contained material from the local branch of the

*References to City Council and Regional Planning Authority files are not cited specifically, but the relevant file series numbers are included in the bibliography.

Valuation Department. The latter gave additional confirmation that Councillor Heather's worries were not without foundation.

> The price index has shown a consistent increase over the last eighteen months, the only period where an increase of this magnitude has occurred since the records have been kept. Recent sales would indicate that this trend is even more pronounced than the statistics would indicate. There are many examples of sales at prices 45 per cent to 50 per cent higher than those ruling ten months ago.

Nevertheless, rising section prices were not confined to Hamilton but reflected a general inflationary trend occurring throughout the country. The valuers observed that in the case of Hamilton City it appeared that the scarcity of sections had only increased the price of sections above the national average in the better residential areas. However, noting that there was only a limited amount of land left on either the west or the east side of the Waikato River,the report concluded that "...the property market could very well stand an extension of the City boundaries as soon as possible and that such an extension would directly benefit the existing and prospective citizens of Hamilton by tending to restrain property price escalation".

The valuers' report also provided some useful analysis of the land purchasing activities of large companies and the relationship of these activities to the Hamilton Area Study. The suspicions that had developed about the effects of wholesale land purchases by these companies were amply borne out.

> Precise figures for land being bought on the outskirts of the city are difficult to determine as most of the activity is with sales to the larger building

> companies who usually buy on a fairly low deposit with the balance of payments over 3-4 years. As a result sales are often not registered for a considerable time after the original agreement is signed. However, we have accumulated some evidence of recent activity and have built up the following picture. It is obvious that local farmers, land agents and developers are taking the Hamilton Area Study Report not as an example of indicative planning but as a firm statement of intent by the local bodies concerned. As a result all or most of No. 1 peripheral area in the Newcastle Boundary Road area has sold in the range of $2000 - $3000 per acre. Similarly the farms in the No. 1 growth cell are reputed to have been canvassed at figures in the vicinity of $2000 per acre with a leaseback arrangement to the farmer until needed for development. One farmer claims to have sold at $3000 per acre on a 10 per cent deposit with the balance over six years.
>
> It is obvious from the foregoing that, under existing rules, if development does follow literally the suggested proposals, then future cells will be systematically bought up by the major building companies following the guidelines established by the Area Study.

Even though there was an apparent urgency to the boundary extension a number of factors had to be taken into consideration and these in themselves rendered it unlikely that the timing of the extension could be substantially changed. The H.R.P.A. had to prepare a District Scheme for the new areas. The sub-committee reported that:

> Before application can be made to the Local Government Commission for approval of a boundary extension it will be necessary to have prepared a District Scheme, at least in draft form, for the areas to be taken into the city.

There was a very definite need to take the step of preparing a District Scheme before applying for an extension if the Council wished to consolidate its control over the planning process. But before the preparation of the Scheme could begin, the Hamilton Regional Planning Scheme had to be completed. This latter project was already underway but would not be finished until March, 1974, at the earliest. Further time would also be taken up in carrying out an extensive examination of the planning, engineering, and financial aspects of the extension itself.

Because a substantial portion of the City's planning resources had already been committed to the preparation of the Regional Planning Scheme and the Comprehensive City Development Plan which was also expected to be completed around March, it seemed unlikely that any real work could begin on technical aspects of the extension before April, 1974.

Significantly, one major company had decided against purchasing land in areas proposed for urban expansion. A representative of one of New Zealand Forest Product's subsidiaries had advised the directors of the parent company against purchasing land in advance of it being included in the City and rezoned. His subsidiary, he explained, had never bought land before it had been zoned for residential purposes and had avoided engaging in speculative activity. Moreover, he considered that N.Z.F.P. would be taking an "unjustifiable commercial risk" if it purchased land using the Hamilton Area Study as a guide. He pointed to the unlucky investors who had bought land to the south of the City thinking this would be the direction of urban expansion and to the fact that the City Council had not committed itself to definite boundaries within the framework of the H.A.S. In addition, he deplored the "speculative rat race" which had developed on the City's boundaries as companies competed for land and decried the publi-

cation of the H.A.S. as a disservice to the community.

Although N.Z.F.P. had not joined the race for land, a plan had been developed which might provide its subsidiary with the opportunity to acquire sufficient land to meet its requirements following the boundary extension. The subsidiary intended to present arguments to the Local Government Commission's (L.G.C.)[19] hearings on the extension, showing that the only way for the City to ensure a steady supply of reasonably priced sections was to create the environment for competition between companies. This could be achieved by bringing such a large area of land into the City at one time that there would be virtually an unlimited supply available to subdividers for development. In effect, the subsidiary would be attempting to have rejected the phased approach to future expansion, as outlined in the H.A.S. This approach, in the representative's view, had been the cause of speculative activity in the first place. Predicting trouble from the City planners at the hearings, he disposed of their likely arguments with the comment: "a load of rubbish".

Similar preparations to challenge the H.R.P.A.'s planning approach before the L.G.C. were also being made by companies which already owned property in the "indicated" areas. As well as wanting more land to be made available for development, some of these companies owned, or had options over, property outside those areas earmarked for the first stage of development and in one case a company had bought land not designated for future urban expansion at all. Thus, there were financial reasons, as well as a purported concern about the shortage of low cost sections, for companies to urge one large expansion as opposed to phased extension. This was quite evident to City Councillors and their senior staff. In addition, some of them were sufficiently experienced to be highly skeptical of the possibility of a competi-

tive market developing in areas where land had come under the virtual monopoly control of a few major companies. Furthermore, if past practice was anything to go on, these companies could be expected to maintain tight control over the supply of land and thus ensure the highest rate of return possible from their investment. Profits, rather than a commitment to increasing the supply of low cost sections, it was safe to assume, would be the guiding criterion of their activities. Nonetheless, the "demand and supply" argument was enticing and would be listened to seriously by the L.G.C. which itself, largely because of its limited resources, preferred to process large expansions than to become involved in a sequence of smaller ones. The availability of services and the ability to service new areas were likely to be presented as the City's major justifications for phased urban expansion should the need arise during the L.G.C. hearings. The City could also be expected to apply a certain degree of political pressure by informally advising the L.G.C. of the strong opposition which was certain to come from the two Counties to any suggestion of an extension to cater for more than a five-year development period. Such advice would have an impact on the L.G.C. which preferred to avoid becoming publicly and directly involved in local political skirmishes and encourage local authorities to reach agreement among themselves before proceeding with boundary change applications and so on.

The goals and objectives of the H.A.S. were not to be abandoned in an effort to speed up the boundary extension process. On this point there appeared to be general agreement within the H.R.P.A. The risk was very clear. Now that most of the land "indicated" for inclusion into the City had come under the ownership, or at least control, of large development companies, the Authority had to formulate a very detailed and enforcible policy framework for development. This policy would receive elucidation in the

form of a District Scheme and other planning instruments. To process the extension without this would leave private companies with the discretion to pursue pretty much their own patterns of development, subject only to limited planning controls. The City could find itself in a relatively ineffectual position. If the development which followed the 1962 boundary extension was taken as an example, then it would be naive to expect the workings of the market to lead to "controlled", "co-ordinated", "rational" development.[20] As it turned out, at least one group of developers realized that the City Council was serious about safeguarding the goals and objectives of the H.A.S. and began discussions with the City planners on development proposals. More will be said of this later in the analysis.

Apart from questions involving planning preparation and the time it would take the Local Government Commission to process the boundary extension, there remained considerable scepticism in the minds of some City Councillors about an earlier extension being a prescription for higher land prices. Considering the sizeable sums that had been paid for land outside the City boundaries, there could be no assurance that developers would find it possible to construct low to medium-cost homes; or have any desire to do so. The announcement of the Government's Notice of Intention made specific reference to this concern. The Minister of Housing was reported as saying that:

> ...the Hamilton land was being acquired so that the Government could implement its accelerated State Housing programme and ensure a steady supply of 'good quality reasonably-priced sections' for private housing.[21]

All going well, the Government would be in a position to offer "reasonably-priced" sections to development companies in return for competitive tendering, and to distribute sections to individual prospective home

owners through the ballot system and other mechanisms.

The central government's decision to acquire land in Waikato County appears to have been made at the Cabinet level without much, if any, prior consultation with members of the H.R.P.A. That there had been some preliminary discussions about the possibility of an acquisition and that authorities in Wellington were at least conscious of the Hamilton Area Study's existence, was disclosed at the Annual Conference of the New Zealand Institute of Surveyors held in Hamilton in October. Following the delivery of his paper, "Local Body Co-operation in Regional Planning", the City Planner remarked during the discussion period that City officials had discussed with the Minister of Housing the possibility of including land adjacent to the City's boundaries in the Government's land acquisition programme. He added that insofar as the City was concerned, "the bigger the landholder the better". As has been observed, the planners were not looking forward to the job of trying to bring together a number of separate landowners and their separate financial interests in an effort to arrive at development plans which would conform to a District Scheme.

Presumably the Government had no wish to complicate the exercise of acquiring land in the Hamilton region by allowing its intentions to become known, even by the H.R.P.A. News of the Government's intentions might have led to a scurry of land deals which would have placed Government in a most difficult position. A Government official later confirmed that this had been the reason for the covert way in which preparations for the Notice of Intention had been undertaken. Despite the lack of forewarning, City planners and local politicians alike welcomed the Minister's news. The Mayor was reported as "praising" the Government for "having the guts to act in the public interest over land acquisition".[22]

> It really had no alternative if housing at reasonable cost is to be available in the future to ordinary people, particularly young people seeking to establish their first home.[23]

He also noted that the decision "...created the opportunity to establish a planning partnership among private interests, local government and the State", and anticipated that "...at least half of the housing provided would be undertaken by private interests".[24] By private interests the Mayor clearly did not include "speculators". With regard to planning he remarked:

> There would have been serious difficulties in implementing new planning standards and objectives had matters been left on the basis of fragmented and speculative development.[25]

And also noted:

> The cost of acquisition of land for public utilities and amenities was threatening to impose impossible burdens on city ratepayers.[26]

The Government's acquisition decision appeared to have had the effect of pre-empting the H.R.P.A.'s decisions with respect to the land areas to be included first in the boundary extension. Initially, as the Mayor's comments suggest, the Authority was not displeased with the Government's action. Nevertheless, at the regular monthly Council meeting immediately following the Minister's announcement, the Mayor reiterated that the H.A.S. was an "indicative" plan and "may not be reliable". He explained that it would be "very unwise" to treat the Study as a "blue-print" for the City's future expansion. It may be assumed that, as in the case of private developers, the Mayor was warning the Government that the Council did not consider itself to be bound by the H.A.S. He also referred to

the Government's responsibility to ensure that property owners affected by the acquisition order should be "fairly treated" and that the public generally should be "properly informed" about the Government's intentions for the area. As events unfolded, it became apparent that all these remarks were part of a calculated move to open negotiations with the Government on a variety of matters. Later, as will be seen, the City Council found it necessary to adopt a strategy in its negotiations with the Government similar to that which had evolved in respect of private developers.

Following the Minister's announcement the District Supervisor of the Housing Division, Ministry of Works, moved quickly to give assurances that his office intended to do "...the broad planning in association with City Council Planners".[27] He stated that the Government's acquisition made it possible to site public services and amenities properly, to devise a rational road network, and to work with the City to promote a number of innovative developments.

In spite of these statements, the City Council decided in November 1973 to write to the Minister of Housing to ascertain whether he supported the assurances given by the District Supervisor and to make it abundantly clear that the members of the H.R.P.A. had reached an agreement regarding planning objectives for the Horsham Downs area.

Past experience had proven that local authorities could not always depend on local branch offices of Government for a correct interpretation of head office opinion. Sometimes branch officials, being usually well versed in local affairs, would express views which both conformed with what they considered to be a rational approach to a local situation and which reflected, at the same time, a genuine desire to accommodate local expectations and needs. Such well-intentioned and usually practically acceptable state-

ments, however, could be incompatible with head office plans. Such plans were not always communicated to branch offices as they had not received explicit formulation at Ministerial level. The lack of firm policy or commitment to a course of action gave Ministers and their senior officials the opportunity to manipulate events and the freedom to react to changing circumstances in a politically expedient fashion. Local authorities were also aware that while one Government department might be enunciating a particular course of action, another could be following, often covertly, a different tack altogether. Sometimes a politically convenient situation was deliberately created in which a branch office would make the right diplomatic overtures at the local level, while the Wellington office acted independently to accomplish the department's objectives. The political intrigues and problems of co-ordination could take various forms but what remained unchanged was the fact that final authority remained in Wellington at the Ministerial level. For this reason local authorities found it wise in cases of important matters to communicate directly with Ministers.

The Minister of Housing was pointedly advised that the Council

> ...desires early and continuing discussion between representatives of the Crown, the Council's and the Counties' officers and the private interests involved concerning the comprehensive planning and development of the area in question in accordance with the objectives A - G set out on Pages 18 and 19 of the Hamilton Area Study Report and draws the Minister's particular attention to objective A and to the fact that these objectives have been adopted by the City as well as by the adjoining Counties and by the Regional Planning Authority.

The section of the H.A.S. referred to was titled

"Residential Objectives" and "Objective A" was stated as follows:

> It will be a matter of policy to achieve a social and economic balance within neighbourhoods by the provision of a wide range of types and grades of housing to meet the requirements of all sections of the community.[28]

It may be interpreted, given the Government's desire to fulfil its election promise to increase the country's supply of State housing and low to medium cost homes, that the City Council was anxious to ensure that this objective was not achieved in the Waikato region at the expense of the H.R.P.A.'s policies or in a manner that would leave the City with substantial servicing costs. That the City Council would not condone a breach of these policies was made plain in a speech prepared by the Mayor, titled "Growth Problems in Hamilton" (exact date unknown).

> It is essential that new areas brought into the City be adequately planned in co-operation with the Counties concerned and in co-operation with the State which is engaged in major land acquisition in the Horsham Downs area. It is not only necessary to plan the provision of sewer and water systems, roads etc., but also the type of urban environment which is to be created. The lessons of Porirua and Otara have to be learned and positive planning steps taken to ensure that the same mistakes are not repeated in Hamilton.

The City Council's position with respect to the Government was considerably strengthened by the rapport it had achieved, largely through the Mayor's diplomatic activities, with the two Counties. Neither County was likely to find it efficacious to enter into independent negotiations over subdivisional development with the Government or to ignore their

commitment to the planning objectives enunciated in the H.A.S. This was particularly so in the case of Horsham Downs which was part of the Waikato County Council's terrain. The circumstances of the 1962 boundary extension were well remembered in this local authority. In addition, both Counties realized that by co-operating with the City they would have influence over such matters as the amount of land to be transferred to the City and the timing of the extension. It was not in their interests to jeopardise the working relationship which had gradually evolved between themselves and the City. The Mayor was, of course, quite aware of their willingness to co-operate and acutely conscious of the reasons for the co-operation. He was to find this knowledge and the close association which existed between himself and the two County Chairmen very useful in orchestrating negotiations between his Council, the H.R.P.A. and the Government.

****

At the inaugural meeting of the Hamilton Regional Planning Authority, the first steps were taken to ensure that the constituent members had a clear, and common, policy regarding urban development adjacent to the City boundaries. A resolution was passed endorsing the principle of the non-extension of City services which would permit such urban development. By supporting this resolution the two Counties were acknowledging their agreement with the City's policy that urban services would not be extended to accommodate urban development until such time as proper regional planning policies had been formulated and the instruments of planning control had been established. The City was now firmly committed to the view that it, rather than developers, should have the initiative in urban expansion. The resolution also strengthened the position of Counties with respect to development applications. Not only did their support imply that they would not approve

urban development proposals for land on the City's perimeter, but it was also a clear warning to developers that should they seek to challenge decisions in this regard the Counties would seek the support of the H.R.P.A. To give explicit recognition to this understanding the members passed a further resolution to the effect that, in the event of appeals to their respective District Schemes being taken before the Town and Country Planning Appeal Board, they would support one another at the hearings. It should be noted that until such time as a Regional Planning Scheme had been prepared and become "operative", the H.R.P.A., although a statutory body, could not itself present a case before the Appeal Board. Until the H.R.P.A. had an "operative" Planning Scheme, the authority for statutory planning resided with the individual members in the context of their own District Schemes. But it would be fair to say that given the agreement that had been reached within the H.R.P.A., a developer would have had to be more than optimistic to believe he could win an appeal in the face of the combined opposition of the three local authorities.

It became evident at the Authority's August meeting that the members of the H.R.P.A. intended to take an intransigent line on their position that planning policies would have to be formulated before urban development was allowed to take place on land transferred to the City, and that the boundary extension itself was to be properly planned. The City informed the Authority that it had received a Scheme Plan from Prestige Homes Corporation Limited for land situated within the City but showing a proposed future subdivision of adjoining land located in the Waipa County. The County Chairman and another County representative moved that the City be informed "...that it is not envisaged that the land involved, within the Waipa County, will become urban within the Area Study Planning period". The resolution received unanimous approval. Prestige Home's request would not be granted.

Since it had already become the practive of the Mayor and the two Chairmen to have an informal get together prior to Authority meetings to settle on ways to cope satisfactorily with some of the more delicate agenda items, it may be assumed that the resolution had been worked out in time for the meeting. As the land was within the Waipa County's jurisdiction, it was proper for the resolution to be proposed by that County's representative. But while the County was the statutory authority, there was more to this way of proceeding than just a consideration of legal technicalities. It reflected Hamilton Mayor's awareness of the need to take account of the County's sensitivities and the need always to proceed with utmost diplomacy in areas where their interests were paramount. For the City to appear to be using the H.R.P.A. to further its own ends, to be dictating to the Counties, or to be even advising them how they should deal with their own affairs would have caused a great deal of tension. Thus the resolution, taking the form of advice to the City, was very much a calculated way of dealing with the matter diplomatically; and was, of course, in full accord with the City's policy concerning the extension of urban services and its desire that the Counties should take this approach to proposals for urban development within their jurisdictions. It also accorded with the County's desire to prevent rural land from being used for urban purposes until absolutely necessary.

Further, the role of the H.R.P.A. was seen to have muscle. Once the resolution was passed it became, in effect, advice from the H.R.P.A. to the City. Prestige Homes further helped to reinforce the Authority's position by requesting it to reconsider the decision. This request was duly rejected at the next Authority meeting.

So, the Minister of Housing, perhaps unknowingly, was going to have to negotiate the development of the newly acquired land through the H.R.P.A. That he did

not fully comprehend the situation was reflected in his reply to the City Council's letter of November 1973. Apparently there had been sound reason for the Council to be worried about the formal approach that the Government was proposing to take to co-ordinate planning of the Horsham Downs area. In his January letter, the Minister pointed out that any discussions that took place about the planning matters which had been raised in the Council letter would occur at the "appropriate time" and with "...the appropriate local authorities through their representatives as members of the committee or committees set up for the purpose". He reminded the Council that "...participation in any such committees by Government must be at the invitation of the responsible territorial local authority which at present remains the Waikato County Council". Elsewhere in the letter he pointed to the need for the "ultimately responsible local authority" to "...create a climate of encouragement to subdividers to develop land economically to provide for a wide range in terms of cost of sections available to the public".

What was disturbing to the City Council was the fact that the Minister had neglected to note that the City would become the "ultimately responsible local authority" for the Horsham Downs area; instead, he had emphasized the position of the Waikato County Council which, at that time, was the responsible statutory authority. This suggested to some that the Minister was quite prepared to negotiate with the County independently of the City. It may be assumed that, based on experience elsewhere, in the country the Minister knew that Counties were often tempted to enter into arrangements with the Minister of Housing in the knowledge that they would benefit financially from the rates to be derived from future residential development. Sometimes there was little alternative but to co-operate with the Ministry. The Minister could, by virtue of his powers, threaten simply to proceed with objections before the Town and Country Planning Appeal Board. In

such a situation there was every likelihood that the local authority would be overruled. However, in the case of Horsham Downs, considering the position taken by the H.R.P.A., the Minister would find it very difficult to get the co-operation of the Waikato County. The Mayor was heard to say that the Minister would not be "foolish enough to try", once he knew the facts of the situation.

Apart from the question of the "ultimate controlling authority" there was also concern that the Minister had not referred specifically to the H.A.S. Instead he had observed:

> ...I should like to assure you that in the work which Government undertakes in the development of the Horsham Downs area it will be its prime objective to create an urban area designed on a basis of regard for the environment, providing for a wide range of socio-economic groups and ensuring that the maturity of the area as it occurs will result in a cohesive community provided amply with the amenities and facilities it requires.

To the City Council this assurance amounted to very little. What it wanted was a firm commitment from the Minister that development would occur in accord with the goals and objectives outlined in the H.A.S. There were too many instances around the country, as the Mayor had pointed out, where past governments had failed to live up to their stated intentions.

Promptly after the Minister's letter had been received, the H.R.P.A. arranged for a meeting with Government officials. The Mayor and the two Chairmen, together with an entourage of executive and planning officers, met with the Director of Housing at the Hamilton District Commissioner of Work's Office in Hamilton. The session began with the Director reiterating the point that insofar as the "Town and

Country Planning Act" was concerned the Waikato County Council had planning jurisdiction over the Horsham Downs area. In response, the Chairman of the County and the Mayor both reminded him of the existence of the H.R.P.A. and stressed the point that once the boundary extension had taken place the planning authority would be with the City Council. It was made very clear to the Director that development proposals would have to be processed eventually through the City and this local authority would make decisions on the basis of regional planning policies formulated by the H.R.P.A. There could be no misunderstanding over this. The Director was also informed that "...there was substantial agreement between the two authorities concerning boundary adjustments although the timing and final boundary lines had yet to be determined".

The comments of the Mayor and Chairman had the effect of leaving no doubt in the mind of the Director that a very real level of co-operation had been achieved within the H.R.P.A. and that the Waikato County Council had no intention of acting independently of the other two members. The H.R.P.A. was adamant that residential development would not be permitted until such time as the boundary extension had taken place and at this juncture the City would become the "ultimately responsible local authority". In the meantime, if the Government wished to begin discussions over future development proposals it would be obliged to work with the H.R.P.A. The meeting decided that this information should be formally conveyed to the Minister of Housing. He was duly informed also that the City Council and the two Counties were going to invite discussions at the staff level between themselves and government departments "...with a view to co-operation in establishing and maintaining effective joint consultation on the planning of City boundary extensions and the provision of essential services to the areas concerned".

Thus, the H.R.P.A. had confirmed that it, for practical purposes, was the appropriate authority for administering the form of development in the proposed growth areas, including Horsham Downs. In March 1974, the Boundary Extension Staff Sub-Committee, comprising staff representatives from all three members of the H.R.P.A., agreed that representatives should be co-opted from the Town and Country Planning Division of the Ministry of Works and from the Housing Department. The Division would appoint one representative and two would come from the Department. In the latter case there would be one Hamilton branch representative and one from the Wellington head office.

Not unexpectedly, the Notice of Intention received strong criticism from many quarters, not the least of which happened to be those affected landowners who had planned to reap large, and in their view justifiable, profits from the City's expansion. One such individual criticised the Government for misusing the Public Works Act:

> ...it wasn't intended to be used so that land could be bought up by the Government years before it would be used, just so it could be bought cheaply. That's just straight out thieving .[29]

He was also reported as stating that the "Ministry of Works officials approached him three weeks ago and offered him $66,000 for his 25 acre property". And:

> The land could be worth ten times that amount when it comes into the City.
>
> I was planning to develop the land for sale and I want compensation based on its subdivided value. And I'll take this issue to the Supreme Court if necessary.[30]

Thus, despite the Mayor's plea that "Irrespective of party allegiances, ratepayers should recognise the

move as an essential one in the community interest",[31] criticism of the Government's action developed immediately. More than just one landowner made it known that he proposed to take legal action to protect his financial interests. Soon landowners throughout the country who considered their interests had been detrimentally affected by the Government's acquisition activities were organising themselves to do battle.

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Apart from the need to clarify the Government's intentions for the Horsham Downs area and to secure the H.R.P.A.'s position with respect to matters of jurisdiction and planning, more astute City Councillors also saw in the acquisition decision an opportunity to press the Government on other related matters. The November Council letter also advised the Minister of Housing of the following points:

> That Council considers provision of the proposed State Highway Bridge in the North of the City as already urgent and that its construction must, in the public interest, precede any extension of City boundaries to accommodate further urban development. (My emphasis)
>
> That changes in Council policy may require that any area brought into the City as a result of future boundary extensions, the cost of extending and providing public services (including roading and reserves) be met as a development cost to be borne substantially by land developers or owners.

The letter concluded by stating that "...with its existing commitments and needs, the City will require every assistance in bringing its services to any new areas brought within its boundaries".

Having therefore told the Minister that it expected his Ministry to abide by the policies adopted by the Regional Planning Authority, the Council proceeded to

advise him, in a not too subtle fashion, that if the Government did not provide assurances concerning the State Highway Bridge then the boundary extension would not be processed through the H.R.P.A. This would leave a large area of rural land unusable for residential development unless the Government was prepared, at considerable political risk, to go ahead with development before the extension and without the approval of the H.R.P.A. or the County Council. At the time, the Government was involved in the politically delicate business of trying to obtain support from local authorities in general for the new Local Government Bill. The Government was arguing that the Bill was a means for providing local authorities with a greater measure of autonomy through the formation of regional governmental structures. Thus, for a Government department to ignore policies adopted by a recently formed regional authority, even though it represented a relatively minor step towards a new form of territorial government, would leave it prey to a great deal of embarrassing criticism. Given the amount of discord that had already developed over the Bill, the Government could be expected to move cautiously with respect to the H.R.P.A.[32]

The land acquisition announcement had provided the Council with just the right opportunity to apply political pressure on the Government to use its influence with the National Roads Board to get work on the State Highway Bridge underway. Up to that point the Council had had no success in getting the bridge accepted as priority work. In August 1973, the Council had resolved that:

> ...construction of the proposed bridge on the Te Rapa Motorway Link should proceed as a matter of urgency and the Council's representation on the No. 2B District Roads Council be asked to press for an acceleration of the programme to permit the work to be put in hand at the earliest possible date.

The Minister of Housing was also being warned that the City Council was proposing to introduce new policies which would require land developers to absorb a substantial portion of the costs of extending and providing services to new urban areas. Within this policy the Government would be treated in the same way as any other developer. Hamilton City was not proposing to add to the "ratepayer's burden" by accepting, on top of its current works programme, additional responsibilities for servicing new developments.

By 1974, local authorities throughout the country were voicing their concern about the shortage of loan finance and reiterating their demand for an alternative source of revenue to supplement income from rates. In Hamilton, the City's financial position had been troubling the Council for some time. An attempt had been made, in August 1972, to obtain special finance assistance from the central government for capital works. In a report for the consideration of Ministers it was observed: "...Hamilton City feels that it has a very special case for special assistance and is of the opinion that its case is one of extreme urgency". And:

> Hamilton is in the unenviable position that it has had to undertake these capital works in the face of a rapidly growing population. Were growth more stable and evenly spread over a longer period capital works could have been programmed over an extended term.

Having not managed to obtain additional financial assistance, the Council wrote to the Minister of Local Government on July 4, 1973, and again put its case forward. The Minister's attention was drawn to the City's growing difficulty in obtaining loan money for sewer, water, streets, and stormwater services. To strengthen its argument the Council observed:

> You are on record as saying that Local Government Administration suffers from the fault that empowering legislation usually is nation-wide in its coverage and does not allow sufficiently for varying local circumstances.

> It is submitted that indeed Hamilton is a special case. Its rates of population growth, its position upstream of a number of other centres and downstream of the most highly developed farming hinterland in the country are but few of the facets which suggest that Hamilton ratepayers should bear a lesser proportion of the cost of the Sewerage Scheme at least.

Regarding the Minister's statement to the effect that: "...Local Government cannot look to the ready availability of additional funds or alternative sources of revenue until there is some substantial re-organisation of its structure and a hard look at areas of expenditure", it was noted that, "This City has consistently promoted the view that ad hoc functions should be brought within the purview of Territorial Government". The letter pointed to the Airport Authority, The Hamilton Regional Planning Authority, Civil Defence, and a proposed Regional Reserves Committee, as examples of its endeavours to rationalise a number of regional activities. On the basis of these initiatives the Council felt it fair to argue that the City "...should not be penalised while the rest of New Zealand is put in order before some tangible acknowledgement, not only of its efforts but its problems is forthcoming". The Minister's reply was extremely evasive and contained no real indication of additional assistance. The Minister observed:

> There is no doubt that your Council's problems are considerable, even though they are not peculiar to Hamilton and are apparent in other rapidly developing areas. The Government is aware of, and very interested in, the proposal put forward by your Mayor some time ago to recover a substantial part of the capital cost of services to land being developed, and I would hope that it will be possible to reach a decision on the proposal before very long. I cannot of course say at this stage what that decision might be.

The Council wrote again in November and received a further unhelpful reply from the Minister in December. This time, the Minister informed the Council that he had

set-up "a special committee to investigate ways of co-ordinating Government financial assistance to local authorities".

> The formation of the committee recognises that quite serious difficulties have arisen in the servicing of loans required for essential regional and local works. Costly sewerage treatment and disposal works are high among the items which urgently require finance in some areas. However, under the present system of subsidy and loan money distribution, priorities are sometimes confused, leading to further delay in urgent works.

In short, there was no possibility of increasing financial assistance to local government, either in the form of additional loan facilities or subsidies and grants. At the 1974 Annual Conference of the Municipal Association, the Minister of Local Government noted that his colleague, the Minister of Finance, had assured the Conference "...that the Government will ensure that local authorities are not prevented from undertaking essential works because of a lack of loan finance".[33] Continuing on, he reminded delegates that the Minister had "...recommended that you should critically examine your capital works priorities with the object of deferring any less essential works in the meantime", and concluded, "I add my voice to his plea".[34] The Mayor of Hamilton was not impressed. During the discussion period following the Minister's speech, he observed that "...the crucial issue facing local authorities, particularly with the rapid inflationary spiral, was finance".[35]

> Did the Minister acknowledge the need for any additional source or sources of revenue to supplement rates? If so, what did the Government intend to do? What changes, if any, could be expected in sewerage and water subsidies and in the sales tax levied on local government?[36]

The Minister replied that he "...was not in favour of across-the-board assistance from the Central Government's funds".

> An overall subsidy irrespective of need would mean that many areas would get money they did not need at the expense of others where considerable capital development was taking place, in some cases to the extent that the load was greater than the area could bear. An interdepartmental committee was working on the financial aspect, but he believed that assistance to local bodies should be on a subsidy basis depending on the schemes in hand and the viability of the area.[37]

The Minister's plea coupled with his analysis of the local body financial scene and the work being done by another investigating committee certainly did not appease Hamilton's Mayor. He and his Council took the view that the costs of providing essential services had become prohibitive and it was now necessary for the Government to provide greater assistance to local authorities in one form or another. The costs of stormwater disposal, an area where the Government provided no subsidy assistance at all, had been receiving particular attention in Hamilton City. In fact some time before the Conference the Council had resolved to adopt a policy for stormwater charges. This was part of the new policy package which the Council had referred to in its November letter to the Minister of Housing. One City Councillor was to remark later that, if the Government was not prepared to provide the City with greater assistance, then the Council would pass the costs of servicing new development to those sectors which had access to finance i.e. the Government and the private sector. One way or another the Government was going to be made to accept a fair share of the financial burden of the City's rapid growth. And if the Government wanted the private sector to produce moderately priced homes then it would have to subsidise development in this area also. The Council was certainly not prepared to subsidise private development either financially or by changing its by-laws to permit cheaper forms of development.

In his January reply, the Minister had made it clear that the "ultimately responsible local authority" was expected "...to create a climate of encouragement to subdivid-

ers to develop land economically to provide for a wide range in terms of cost of sections available to the public".

> For this reason the participation of the local authority in bearing its share of the cost of the provision of normal municipal service does not seem unreasonable.

It may not have seemed "unreasonable" to the Minister, but it was totally unacceptable to the City Council which wanted a guarantee from the Government that it would "bear" its fair share of the costs of servicing the Horsham Downs and other growth areas. The somewhat vague statement from the Minister that it was likely that the State Highway Bridge would be dealt with "as an aspect of regional development" contributed to the Council's growing sense of umbrage with the Government. Not only was the Government unwilling to provide its share of the finance necessary to secure the H.R.P.A.'s planning policies but it was not disposed to provide an assurance with respect to a bridge across the Waikato River which was required if the City was to cope adequately with increased traffic flows generated by new residential development.

The City Council had laid the foundations of its future strategy regarding servicing costs and other matters in a resolution adopted at its December meeting. It was decided that the City would act, in concert with the Waipa and Waikato County Councils, to lodge an application for a boundary extension with the Local Government Commission only after the joint staff committee had completed its work, "Appropriate arrangements concerning current land needs have been approved by the Council", and "Bulk services supply costs can be assessed and the basis on which they are to be financed have been approved by the Council". In addition, it was agreed, "That the co-operation of the Counties and of appropriate State Agencies be sought accordingly".

Under the circumstances it was not surprising when, at the March 1974 meeting of the Boundary Extension Staff-Subcommittee, a representative of the Housing Division was

told in response to his observation that "...it was desirable to know the areas of possible boundary extensions prior to the 1st April 1975", that "...the development rate of residential B land in the city was not as great as expected and that it was not affecting the demand for further building sections". In addition, the Mayor observed: "...much would depend on the City's capacity to extend trunk sewerage, water and stormwater, and other services in the new areas and that there was no point in the State or other interested parties erecting houses if such services were not available". As well as moving that the membership of the Subcommittee be enlarged to include representatives of the Housing and Town and Country Planning divisions of the Ministry of Works, the Mayor and the Chairman of the Waikato County Council also got the following motion accepted: "That it be a policy recommendation that there be no extension of city boundaries beyond areas capable of being serviced, including sewerage, water and stormwater".

This was another show of local strength and co-operation. As well as limiting any future boundary extension to the readily serviced "peripheral areas" and excluding the Horsham Downs area until the question of financing services had been satisfactorily resolved, the motion was also an affirmation of the support which the Mayor could expect from his counterpart in the Waikato County. The reference to the Residential B areas still available for development within the existing City boundaries was aimed, it may be interpreted, at dispelling any notions which the Housing Division might have about the City Council being anxious to obtain sizeable areas of land for residential development as quickly as possible. A slowdown in building activity had relieved pressure for an early boundary extension and the Mayor was going to use the respite as a negotiating point with the Housing Division and other government departments. Moreover, he was not going to relinquish the City's initiative over future expansion by encouraging the Subcommittee to formulate clearer proposals for "possible boundary extensions" before April 1, 1975. If the Minister of Housing was going to be evasive

about servicing costs and other matters, then the City could be equally so in this matter. For the moment, the Housing Division, as far as the Mayor was concerned, could continue to be inconvenienced by not knowing whether the Horsham Downs area would be included in the first boundary extensions. Thus, instead of having achieved "desirable" headway in discussion with the two local authorities, the Housing Division representative had been told, in effect, that there would be no temporising of the City's position on certain matters and no possibility of pursuing independent negotiations with the County. This information, it may be assumed, would be passed along to the Division's Head Office which he was representing at the meeting along with his own at the local branch of the Ministry of Works.

In conjunction with tackling the Government on the need for the State Highway Bridge, and additional financial assistance for the provision of services, the City had also initiated efforts on other fronts. Shortly after the acquisition announcement, the Council wrote to the Minister of Finance, the Honourable W.E. Rowling, concerning land within and adjoining the "cell" which had been the subject of the Notice of Intention. The letter observed that in the case of this "cell", situated on the eastern side of the Waikato River and another proposed residential area on the western side, the City would become responsible for purchasing land for recreation, open space purposes, and other community facilities. Dealing with the problem of financing these purchases, the letter explained:

> It is the experience of the past that land prices will be forced up by the extension of the boundaries and by the development which will take place. My Council is concerned that this will increase the burden on its ratepayers and would like to be in a position to acquire appropriate parcels or even large blocks of this land before any such boundary extension. Obviously this can only be done with financial support, either by way of Government grant or through the normal Local Authority loan raising procedures.

The letter was sent a little less than two weeks before a Council delegation was to meet with officials of the National Provident Fund in Wellington to discuss the City's "loan raising problems". It may be assumed that the Council hoped that the Minister of Finance might be persuaded to give his support to the loan programme which it intended to place before Treasury and, more particularly, the Local Authorities Loans Board. Naturally, the allocation of a grant by Government for land acquisition would be very welcome indeed; however, a loan sanction was a more realistic hope.

While it was probably correct that the cost of acquiring land for public services would increase following the boundary extension, there was a great deal more behind the Council's request for financial assistance than a concern for ratepayers. For some time, the Mayor and his Council had attached particular importance to the goal of developing a land bank. The ownership of certain "strategic areas" of land was seen as the key to regulating the future pattern of growth and development in the City. The Mayor had noted in a report on local body finance to the City Council in December 1972, that:

> Hamilton will be obliged to progressively expand its boundaries. Much of the outlying area has been or will be bought by people anticipating speculative gain from this expansion. The City should receive the gain and in the process help stabilize the price of residential sections. Land bank legislation would provide funds to enable Cities to acquire land at a valuation based on its present use and not at an inflated speculated value. When the land is developed and sold the funds would be repaid. The savings secured through the City's ability to effectively control the direction and form of urban expansion would alone justify such a scheme. Future suburbs could be better planned and integrated and be better places in which to live.

At the time, legislation precluded local authorities from purchasing land outside their districts for residential and industrial purposes. Thus, the Hamilton City Council

could not purchase land in the Counties for purposes other than the provision of future public services. Nonetheless, certain Councillors had thought of a way to get around this restriction. Privately they were observing that, if the Minister of Finance was prepared to use his influence to secure financial assistance, either in the form of loans or grants, for the ostensible purpose of purchasing "large blocks" of land for public purposes, the City Council might discover later, quite fortuitously, that it had more than enough land to meet these requirements and be in a position to rezone and develop some of the land for residential purposes. This strategy, it was acknowledged, would stretch the intent of the legislation to the limit; but, until such time as the legislation was changed, there appeared to be no other alternative if the Council was to get itself into a position where it could influence development in the new growth areas and the land market through its own strategic land holdings. On the latter point, it was evident that with its own land the Council could undermine some of the control private developers executed over the production of developed sections and their prices. As events unfolded, the Council became increasingly interested in acquiring property in the new growth areas as a means of enhancing its negotiating capacity with developers.

While work progressed on the detailed planning of the boundary extension at the regional level and negotiations continued between the City and the Government on financial aspects of proposed development in the Horsham Downs area, the Council turned its attention to what was becoming a critical housing shortage within the existing City boundaries. This problem quickly became a political factor in the Council's negotiations for land acquisition assistance; and, as time wore on, became enmeshed in the politics of the boundary extension.

In February 1974, the Town Clerk wrote, on behalf of the Council, to the Minister of Housing informing him of comments made by a spokesman for the Hamilton Combined Social Services "...concerning the lack of accommodation

in Hamilton and the need for urgent action to alleviate the situation". He noted:

> You will be aware of the waiting list at the local State Advances office and in the longer term it is probable that the position will be largely resolved by the expansion of the City Boundary and the State Housing project, initially in the Horsham Downs area. However, there seems to be need for some shorter term action to accommodate various groups of people until the overall situation becomes easier.

Failing the possibility that the Government might have "...any short term remedy to put forward", the Town Clerk conveyed his Council's request that finance "...be made available to it on the same basis as it is for State rental housing construction". Further, he explained that the "Council comments that it does not have the resources or finance to go into the housing business and would not be able to do so without necessary finance being made available on most favourable terms". The Council also requested a change in the Government's mortgage policies:

> ...in practice the availability of loan finance for the purchase of older existing family homes is almost non existent. Consequently Council asks if finance to purchase these older houses could be extended and made more readily available.

Copies of the letter were sent to the City's two Members of Parliament, together with a request for a meeting with them to discuss the City's housing situation. By the time the Town Clerk's letter was received, plans for additional Government finance in the areas of urban renewal and residential development were well advanced.[38]

The Hamilton City Council did not receive the Minister of Housing's announcement of additional funds with enthusiasm. Instead of making loans available on "favourable" terms for both land purchase and development work the Government had decided to apply "current local authority interest

rates" for the latter only. Actual loans for land acquisition would continue to require application directly to the Local Authority Loans Board and be treated on the same basis as other loan requests as regards terms.

Shortly after the Minister's announcement, the Council received a terse reply to its February communication from Mrs Jelicich, M.P. for Hamilton West. Regarding a request for a joint meeting to discuss the City's housing situation, she explained she would be pleased to convene a meeting of Government members, department officials and City Councillors should the Council develop a specific proposal for the Government's consideration: "This would be more satisfactory and more meaningful than arranging meetings just for the sake of a meeting from time to time". She expected City Councillors to welcome the opportunity to avail themselves of the Government's "generous offer" to provide loans to local authorities for land development at current interest rates. She also intimated that the City owned land which could be made available for house construction:

> In the meantime if Council is not able to pursue a housing programme immediately but has land available, I am sure the Housing Division would be able to make good use of it.

Neither the Council nor its staff officers knew what land Mrs Jelicich thought might be made available to the Division. The remarks further exacerbated the feeling that the M.P.s' were relatively uninformed about the housing and land situation in the City; it was this feeling that had led the Council to suggest that a meeting might be beneficial. As for the Government's "generous offer" the Council's position was clear: it expected the Government to be as generous to the City as it was being to itself with respect to loans for land purchase and development. However, support of this kind did not eventuate.

The Minister of Housing's reply of March 21 to the Town Clerk's letter was straight to the point. Observing

that since Hamilton's housing problems were part of a national problem which had been "inherited" by his Government, the Minister was not in a position to offer an "immediate solution". He also explained:

> Government has already taken a number of positive measures towards overcoming the shortage but the building industry, which had been allowed to run down, is working to capacity and until such time as it can cope the community is going to be faced with a shortage of accommodation.

Regarding the Council's responsibility to assist in remedying the housing shortage the Minister was equally categorical: "...Central Government cannot assume sole responsibility for providing all the housing needs of the community".

> Local bodies, employers, and the private sector generally, must play their parts. The State Advances Corporation is able to provide long term loan finance on favourable terms for schemes of this nature. Many local authorities have contributed to community housing requirements in this way.

This Minister also pointed out that, "It has never been possible for Government to provide the Corporation with sufficient finance to meet all applications for the purchase of existing homes".

> Faced with this decision in priorities the emphasis of the Corporation's lending policies has been directed at adding to the housing stock, consequently building loans have been, and are, readily available. The funds provided for purchase of existing homes have been channelled to certain groups that Government for many years has considered should have priority - primarily these are ex-servicemen qualifying for rehabilitation assistance, applicants who qualify to capitalise family benefit, low income large families, and public servants on transfer. The available moneys are allocated on a regional basis and Hamilton district has received its proportionate share.

So the Minister of Housing was not going to be persuaded into providing either additional housing assistance for Hamilton City or loans at more favourable rates of interest. From his standpoint, the City's difficulties were not unique but part of a national problem which had emerged under the previous National Government. It would take time to remedy the situation and the eventual solution would come in the shape of a comprehensive policy, not a series of ad hoc attempts to alleviate particular problems in certain areas. In line with this approach, the Government had introduced measures, in the way of loan facilities, which gave all local authorities the opportunity to proceed with schemes of their own. Furthermore, these measures established that, in principle, the Government was not prepared to shoulder the entire responsibility for housing. Hamilton City, along with other local authorities, was expected to take up a fair share of the housing burden and to take advantage of the Minister's new lending provisions. But, as has been pointed out, the City found the terms totally unacceptable.

Significantly the Government passed an Act on April 1, 1974, to amend the "Municipal Corporation Act 1954". An amendment to Section 327 of the principal Act gave local authorities the right to purchase land outside their districts for future residential or housing purposes and to use the "Public Works Act 1928" for such acquisitions.

This amendment, plus the Minister's new lending policies and a report prepared by the City's Community Advisory Officer prompted the Mayor to write a lengthy letter to the Minister of Housing in July. While the Town Clerk had been in communication with the Minister, the Community Advisory Officer had been preparing a report evaluating the "dire accommodation situations" which were developing in the City. The Mayor observed in his letter that the Officer had concluded "...that the root cause of the problem is the shortage of low cost housing". Of the 600 applications for State Houses on the waiting list, about one half could be classified "as urgent or reasonably urgent". He advised the Minister

that he was aware that 80 State Houses were scheduled for completion in 1974; that at least 70 low cost homes were to be built under the "design and build" programme; that the State Advances Corporation was proposing to purchase ten existing homes; that the Maori Affairs Department, having already built twenty houses, was hoping to build another twenty, and that this Department was also going to purchase five or six "design and build" homes. Having made it clear he was aware of the housing programmes of the various Government departments the Mayor observed that the Department of Maori Affairs "...is apparently very apprehensive that it will be unable to obtain sections necessary for it to continue its programme next year", and added: "This is doubly serious in view of the fact that the Department anticipates that serious cases of need will number 100 a year for the foreseeable future". He then tackled the Minister on a possible solution to the City's housing shortage:

> If it is agreed that the key to the low cost housing problem is to be found in the first instance in the supply of suitably priced land, then it is clear that the City Council has a duty to assist in ensuring that such land is in fact available. In this connection, Council has recently acquired land in the area east of the river which is soon to come into the City. The amount involved is Half a million dollars. The option will lapse at the end of the current month. In terms of the option, Council is required to find about half of this sum in cash and to issue ten year Council debentures for the remainder. This is a most difficult, (I might say, impossible) basis on which to finance such an acquisition and it would seem reasonable to me that State Advances finance should be available to a Local Body in such circumstances on the same terms that it is made available to the Crown. I would suggest that if that is not possible, then at least State Advances money should be available at say three per cent or three and a half per cent for a maximum of five years for the full amount of the purchase. I agree that any such purchases should be tagged in such a way as to ensure that Council resells sections within say five years at no more than cost plus say ten per cent and that the Crown

> should have the right to acquire up to a stated percentage of available sections for its own purposes.

The Mayor went on to observe:

> ...that given an initial One million dollars of finance on the terms suggested, Council would then be in a position to sustain the continuing land acquisition role in the interests of the community. There would be a fund which would be regularly recouped. Without the initial finance however, it will not be possible for Council to play a constructive role except on an extremely restricted scale.

The additional half million dollars was required to initiate a pilot urban renewal scheme for an area of approximately twenty acres near the centre of the City which the Council had under consideration. The Mayor hoped the City would be able to obtain urban renewal concessional finance for this scheme.

Dr A. Rogers, M.P. for Hamilton East, promised to pursue the Mayor's 148 acre proposal with authorities in Wellington. He agreed that the shortage of moderately priced land continued to be the major reason for the housing shortage and also noted:

> The problems you mention are very real and though they are in a sense handled by the Housing Allocation Committee it does no more than allocate priorities rather than offering any genuine solution.

Apart from the "bottleneck" of section shortages he mentioned that the Government's housing programme was being handicapped by "unsatisfactory tendering by builders". This was an allusion to the difficulties being encountered with the building industry over the production of State and low to medium cost homes.

The Minister of Housing refused to oblige the Mayor on the 148 acre purchase. He pointed out that the new policy did not "extend to the acquisition of the land" but covered subdivision development only. As far as the Mayor's other requests were concerned, including the one for urban renewal concessional finance, the Minister indicated he would come to a decision on them after further consideration. During the ensuing months, it became apparent that even with the increased funding for urban renewal projects the Ministry was not in a position to support schemes such as the one proposed by the Mayor.[39]

The Mayor had, in a calculating fashion, interwoven the problem of the City's housing shortage with its land acquisition ambitions and the boundary extension. If the Government wished to pursue its housing programme within the City's existing boundaries - something forced upon it until the extension had actually taken place - it would have seriously to consider the suggestion of providing financial assistance for urban renewal in the central city area. The other alternative was to give additional financial support to the City for the provision and upgrading of services, especially stormwater disposal. Because such assistance had not been provided and, given the remarks made by the Minister of Local Government and Finance at the Municipal Conference, was unlikely to be forthcoming in the foreseeable future, the Council had proceeded with its new policy of stormwater charges. The effect of this was not only to force private developers to contribute more to the financing of services but also to pass over to Government costs associated with its own developments which it had refused to accept voluntarily through the allocation of additional grants and/or loans on "favourable terms".

For the City to be able to take advantage of the Minister of Housing's new policy of providing loans for subdivisional development it would have to purchase land by borrowing money at current local authority interest rates. This it was reluctant to do, preferring the Government to reduce the rates on loans sanctioned by the Local

Authorities Loans Board for this express purpose and to give better terms on moneys lent for the actual development of the land once it was purchased. The Mayor noted that the City was asking for nothing more than the same terms as those which applied to the Government in its own land acquisition and development activities. If the City undertook land acquisition and development on the terms dictated by the Minister of Housing it would be, in effect, subsidising activity in an area which had been a traditional responsibility of Government. This was also the view of the City Council. At a time when local authority costs were spiralling and the loan market constricted, Councillors took a dim view of the Minister of Housing's approach.

Perhaps understandably, even though the shortages of low cost housing was worsening, the City Council was reticent about increasing its financial commitment for land acquisition and not prepared to utilise the Government's new loan facilities for subdivision development. Indeed, there was evidence to suggest that some Councillors were pondering whether proposed purchases, such as the one on the eastern side of the river, could be justified in the light of growing needs elsewhere. It should be noted that the Council's major commitment to land acquisition involved a Property Acquisition Loan, approved in 1972 for acquiring land in the locality of the City's new water pollution control plant. By 1974, the costs of maintaining existing services and the capital works programme were rising so dramatically there was a great reluctance to involve the City in expenditures which might be considered as having a low priority. Moreover, a number of Councillors were not prepared to engage in financial commitments which would place the costs of new residential development on existing ratepayers, many of whom were still waiting for long overdue services and expected those already provided to be properly maintained.

The Mayor and certain Councillors were conscious of this growing attitude among their colleagues and hoped the Government would step-in with financial assistance. It had been difficult enough to convince many Councillors that

the Council had a role to play in land acquisition and development in the first instance. Those Councillors who had felt somewhat hesitant about involving the City in anything more than the normal purchases required for public services had given their consent substantially on the understanding that the City would benefit financially at some point from the development and sale of sections. They were working on the assumption that sections would be sold at going market prices and this was likely to return a profit to the City which would help to alleviate the rate burden. The evidence suggests that the Mayor and other Councillors were not inclined to support this notion, being more concerned to recover the costs of purchase and development. Rather than seeking a profit per se which would be placed in a general fund, they would endorse a mark-up which would allow the Council to maintain a revolving land bank. Actual discussion over these matters did not occur in open Council meetings and probably did not go too far in-committee. While many Councillors and the Mayor seemed to vary their views in accordance with political necessity, public statements suggested that the majority of Councillors were in agreement on at least four points: the proposition of purchasing "strategic areas" in order to increase the Council's control over the pattern of development and to influence the supply of house sections was worth pursuing; the costs of servicing new residential development should not fall entirely on the shoulders of existing ratepayers; the Council should have access to loans for land acquisition and development on favourable terms; and under no circumstances should the Council directly or indirectly subsidise low-cost housing, this being a Government responsibility. On the second point, it is worth noting that the City's new stormwater charges for both Government and private developers would ensure that existing ratepayers would not have to absorb the costs of providing for stormwater disposal. Several Councillors saw that certain advantages would accrue to prospective homeowners from a land bank. Firstly, those who purchased Council sections would not have to accept building ties as a condition of purchase; secondly, the Council would be in a position to counteract the

practice of large companies and individuals of creating section shortages by withholding land; and thirdly, purchasers would be safe in the knowledge that they were buying land at market value and not at some excessive price determined by a rapacious developer.

It is worth noting that at no time during the next three years did the City Council formulate a succinct policy regarding property acquisition. A Property Acquisition Committee comprised of the Mayor and two Councillors was formed but not given explicit terms of reference. The situation troubled Councillor Heather who felt, among other things, that the Council should have some criteria to aid it in deciding which properties that were offered to Council from time to time were really worth purchasing. The Committee's reports often came in the shape of short statements, leaving the reasons for recommendations to the imagination. Councillor Heather, an informant observed, was more than a little put-out by the fact that the Mayor had managed to exclude him from membership on the Property Committee. The Mayor had carefully chosen two Councillors to sit with him who might be described as reliable from the point of view of their general expertise and honesty and, more importantly, their preparedness to allow the Mayor to take the political lead. They were unlikely to criticise, or at least deliberately undermine or draw attention to, the Mayor's political tactics. A relatively free hand was essential to the Mayor's strategy as he dealt with the Government on a variety of issues. Councillor Heather might not have provided the freedom required. He remarked periodically that his "preference" was not "to hold a pistol to people's heads". The Mayor, on the other hand, while rejecting this as a crude assessment of his tactics, was clearly a person who liked it to be known that he had his finger on the trigger and was capable of a "fast draw". This latter capability depended on a high degree of freedom of action which in most situations the Council was prepared to give him. On more than one occasion observers expressed their surprise that the Council had so much confidence in their Mayor; it was not a typical situation in local government.

Although Councillor Heather also had confidence in the Mayor's ability to protect the City's interests, in most situations he preferred to have clear policies through which negotiations, often of a backroom nature, could take place. Such policy would provide him with the opportunity to have his opinions taken into account, allow him access to information, and, above all, give him an opportunity to assess more accurately what the Mayor was up to.

It is important to keep in mind that the Mayor, who had virtually become the City's General Manager, was accepted as the person best placed, and best equipped, to take the lead in negotiations with Government. In the final analysis, even though his political manoeuvres were usually carefully calculated and based on advice and assistance from Councillors and City staff, the Mayor often acted on his own accord, pursuing private communication with senior civil servants, local authorities in the region, and Government politicians at all levels. That he was able to control the flow of information to a considerable degree, and had the capacity to see issues not in isolation but in the context of their wider policy implications, enabled the Mayor to steer his Council along strategically advantageous lines. His somewhat unilateral approach did cause concern from time to time. His public statements did not always accord with what Councillors and staff members understood to be the Council's policy and often letters would arrive from Government departments replying to letters which had been sent from the Mayor's office. When these sorts of problems arose, the Mayor would privately explain to the individuals concerned, in an often charmingly open way, what he was attempting to do, thus giving them the impression they were very much part of his high level strategy which, in turn, had the effect of preventing embarrassing incidents from developing at Council meetings. Councillors would often look on knowingly as the Mayor summed up their views in a seemingly cohesive package, or sit back in frustration at having failed to penetrate the smoke screen which appeared to envelop certain issues. On some occasions the Mayor would invite staff members or Councillors to forward recommendations of his own design which he, for political

reasons, did not want to place before Council. At one meeting he engaged Council in a lengthy re-working of a recommendation supposedly prepared by a senior employee, but which he himself had prepared. The employee had been asked to examine the recommendation before the meeting and had provided the Mayor with a number of suggested changes. Having asked the employee to introduce "his recommendation" and given Councillors an opportunity to discuss it, the Mayor forwarded the employee's suggested changes in a somewhat changed form to encompass the views expressed by Councillors. Thus a satisfactory compromise was reached with the Mayor appearing to have performed the role of conciliator within Council and between Council and staff with no particular point of view himself. None of the Councillors had any idea of what had actually occurred and one was heard later anxiously asking of the employee whether he was angry at what the Council had done to "his recommendation". On other occasions, the Mayor would use the tactic of seeking "clarification" on certain points from staff, having already arranged that such clarification would bolster his own interpretation of events and his view of the sensible course of action for Council to pursue.

For this analysis, the Mayor's machinations create difficulties over such matters as clarifying what the Council's ultimate objectives were relative to land acquisition and development. It is probably true to say that when the idea of a Council role in residential land development was first proposed by the Mayor he saw it as means to control development, to deal a blow to property speculation, and to provide reasonably priced sections to prospective homeowners. While these remained priorities, the Mayor, having to acknowledge that the Government was not prepared to increase its financial assistance to local authorities and that, as a consequence, the Council would have to check its expenditures, became more inclined to see land development as the "pot of gold" - as one observer put it - to supplement rate revenue rather than in the context of long term land banking. Nevertheless, as circumstances changed and each situation brought with it a new set of political considerations, the Mayor moved from one tack to another.

Despite the occasional confusion, the lack of explicit policy allowed the Mayor to maintain the initiative and it was evident he was not going to allow either the Government or the private sector to ride roughshod over the City's interests. It may be interpreted that his keen interest in protecting the City and its ratepayers was one of the major reasons why he was able to retain the confidence of his Council.

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The Council had kept its options open while negotiating with the Minister of Housing. Officials of the Local Authorities Loans Board had visited Hamilton in the early part of 1974 and had been shown the two areas of land to the north-west of the City which the Council was interested in purchasing. After the Board's visit, at a special meeting of the Council, held on March 21, it was resolved that the Council should apply to the Local Authorities Loans Board for its sanction to the raising of a Property Acquisition Loan of $691,000.00. A Memorandum of Agreement had already been signed with a Mr G.C. Clarke who owned land in the Rotokauri area. The price which had been agreed to was $403,230.00. The owner of a small property had been offered $286,000.00. The latter individual was not prepared to agree to this sum and the Council was continuing with negotiations. In the meantime it wanted the Board's sanction for a loan to cover the purchase price of both properties. It was noted in the application that, "Both proposals are conditional upon the sanction of the Board being received and both involve the issue of a considerable amount of stock, for a ten year period on the loan". The following statement was also included:

> The Board will be aware that Council intends to develop part of these properties adjacent to the water areas as recreation reserves and that the balance of the land will be available for residential and other development, once the City expands its boundaries. While application is made in the usual terms, it is Council's intention to approach Government institutions seeking

> finance under the recent Government announcement concerning land development, which may enable us to reduce the interest charges.

On May 7, 1974, the Local Authorities Loans Board sanctioned "Property Acquisition Loan No. 2" on the basis that it would be for no longer than a twenty year term at an interest rate of 6.25 per cent per annum. The Council proceeded to issue registered stock through the Reserve Bank and to establish a Sinking Fund with the Public Trustee as Commissioner. The vendors accepted 459,000.00 dollars of the stock as part payment for their properties, leaving the Council with the job of finding the balance, $231,000.00 in cash.

Thus, by the time the Mayor had written to the Minister of Housing in July the City had received a loan sanction to purchase the properties. But the Council had decided to see whether, under the Minister's new policy, the interest rates could be reduced.

Given the magnitude of the Government's prospective land acquisitions on the outskirts of Hamilton City, in addition to other efforts to increase the supply of housing, it might be queried why the City Council thought it necessary to seek assistance of the kind requested in the Mayor's letter to the Minister of Housing or felt compelled to seek a loan sanction to purchase property. In the letter the Mayor had observed that:

> The difficulty to date, seems to be in obtaining recognition that given the financial backing, Council could play a significant part in regard to the provision of land for housing. Council is sometimes in a position to negotiate acquisition without creating the opposition and resultant delay which often attaches to the employment of the Public Works Act. It seems to me that advantage should be taken of Council's negotiating capacity in these matters.

There was the feeling within the Council that Government's use of the Public Works Act had been badly handled and much of the subsequent criticism, worry and misunderstanding

could have been avoided had Crown agents prepared landowners for the announcement, advised them of the reasons for the acquisition, and provided some information concerning what was intended for the land. Such an approach, the Mayor suggested, would have created far less hostility to the Government's announcement. In fact the Council had raised certain matters on behalf of the affected landowners in its November letter to the Minister of Housing. He was advised:

> That Council considers that full consultation between affected land owners and the Crown concerning such matters as fair compensation and that the protection of existing home sites is essential at the earliest possible date and it is further essential to keep home owners fully informed of development proposals at all stages.

As the local authority most conversant with local conditions and attitudes, and one which was becoming increasingly knowledgeable about overseas techniques for handling sensitive land negotiations, the Mayor took the view that the Council was better equipped than the Crown to deal with local land acquisition matters. For Council the main impediment to an active role in land acquisition was finance.

At the time, it was evident that, although the Mayor and one or two Councillors and some senior staff had been reading about land acquisition techniques used by local authorities overseas, particularly in Australia, there was little to support the suggestion that the City Council was better equipped to carry out such exercises than the more experienced Crown agencies such as the land purchasing arm of the Ministry of Works and Development.

It may be interpreted that, given the criticism that had developed throughout the country over the Government's acquisition moves, the City Council hoped the Government might be interested in handing over part of this politically delicate job to local authorities. The Council was only too prepared to accept the responsibility provided sufficient finance was made available. In other words, the argument that the Council should be invited to use its "negotiating

capacity" was little more than a further justification for seeking financial support for the Council's own land purchasing activities.

What was really at stake was the Council's ambition - whether realised or not by the Councillors - to become an "honest broker". The belief that Government was not in a position to play such a role itself within the framework of local planning supported this ambition. The protection of the City's interests depended on the Council's ability to ensure that future development occurred in conformity with planning policies formulated at the local level. As the authority responsible for the preparation of these policies and their eventual implementation, the Council wanted to have some influence with developers and this could be attained through the ownership of "strategic land areas". So, while it was evident that the Government was contending with the machinations of companies and individuals in the land market on a national scale by legislation and land acquisition, the Council was concerned that such activities in the Hamilton region fall within local planning policy. The necessity for the Council to attain a negotiating position in the local land market was taking on a new dimension as the Government's land holdings in the region increased and the shortage of reasonably priced sections became more critical.

As long as the Government was prepared to conform to the City's planning policies and uphold acceptable standards of house design and construction, there was no reason for the Council to pursue its land acquisition plans too vigorously. But statements from Ministers and others began to throw doubt on the likelihood that the City would achieve a satisfactory accommodation with the Government. As the country began to experience more economic difficulties, some Councillors began to worry that the Government might attempt to alleviate its problems with the building industry by developing policies, and participating in arrangements, contrary in principle, to the City's planning objectives. The Minister of Housing's endeavours to find ways of getting the building industry to tender for State

houses and to build cheaper houses had not gone unnoticed.

Probably the first inkling Councillors had that the Government was prepared to reach arrangements with building companies and developers came following an enquiry about one curious aspect of the Notice of Intention for the Horsham Downs Area: A sizeable portion of the area had not been included in the Notice. In its November letter to the Minister of Housing, the Council sought clarification on this matter, having not been satisfied with the reasons given publicly by the Minister for the exclusion. In his January reply the Minister observed:

> The question of what properties should be included or excluded from the Notice of Intention was a matter for Government decision which was taken after due consideration. The large property which was excluded is owned by a land development firm which has over a number of years, sold land to Government for housing.

Understandably, individual landowners and other developers were extremely annoyed to learn the Crown was prepared to entertain private negotiations with a development company yet use its powers of compulsory acquisition in the case of their properties. The Council supported the individual landowners on this point to the extent of requesting that they receive fair treatment from the Government. The Minister explained that the owners "...have been assured that the matter of retention areas will be the subject of negotiation and agreement in concluding the action to acquire their property". However, in addition to wanting to ensure that the owners got a fair deal, the Council was also concerned about what form the Government's negotiations with the private company might take. In essence, the Government held the view that this was a matter for negotiation between itself and the developer and as such was none of the Council's business. The Council, on the other hand, felt that if a final arrangement involved development plans in the area then the City had every right to be party to them. Council's fears about Government intentions were further

exacerbated by the Minister's January letter in which he referred to the need for local authorities "to create a climate of encouragement to subdividers". That he was going to attempt to pull out all stops on land development became even clearer when the Minister included the following points in a press release the next month:

> There is a crash programme of land development which it is hoped will produce sections in the shortest space of time and local authorities can assist by reducing the amount of red tape and helping the State to find short cuts to produce developed sections.
>
> A new policy has been introduced of 'design and build' and these are not to State Housing specifications but to State Advances Corporation standards and specifications with the builder submitting his own plans.
>
> It is Government's policy to provide continuity in the building industry and arrangements with small and large firms on the reciprocal purchase scheme, using their land, will have Government's every co-operation and priority.[40]

The Chairman of the Council's Works Committee reacted strongly to a further announcement from the Minister of Works and Development in April, that the Housing Division "...had been instructed to adopt a new policy of building houses first, then providing facilities such as sealed roads and footpaths later". The Chairman stated that while there was "...undoubtedly a need for more State Rental Housing ...to lower the standards required for subdivisions would be very disturbing". He noted that, "The City Council had fought for years to have standanrds raised and had faced several difficult battles with the housing division of the Ministry of Works".

> People in State Houses are entitled to the same facilities as people in any other subdivision.
>
> If the State isn't going to provide these facilities then the inference

> is that local bodies will have to do so out of ratepayer's money, which is quite unfair.[41]

The City Council was not prepared to sacrifice subdivisional standards in order to satisfy the wishes of the Government in respect of its house building programme. And, perhaps more importantly, the Council had no intention of participating in arrangements which might leave the City with the burden of providing services and facilities at some later point. If the Government wished to proceed with house construction in Hamilton it would have to provide its fair share of servicing finance and conform to local planning policies.

Suspicions about the Government's intentions continued to mount, particularly when it was reported that the Minister of Housing lent support to the view expressed by the Chairman of the Building Industry Advisory Council that local authorities should be more "co-operative" regarding their subdivision standards. There was nothing particularly new about this appeal. Over the years it had cropped up intermittently whenever the building industry was "experiencing difficulties". But by 1974 it was evident the industry had the upper hand. Realising the Government was becoming increasingly anxious about the supply of houses, companies saw an opportunity to press the Government to apply pressure on local authorities.

It was not unreasonable for the Hamilton City Council to suspect that the Government, confronted by an obdurate building industry, would help, in a surreptitious manner, to circumvent local authority by-laws and policies. Moreover, in spite of assurances to the contrary, there was every reason to question the Government's willingness to conform to local policies in its own development projects. There was now every likelihood that its departments and agencies would be issued directives to take actions which might be considered incompatible with local planning objectives. Already the Minister's decision regarding the

deferment of services suggested the Government was prepared to go to great lengths to get sections on the market. The "design and build" programme appeared to be a major concession to the building industry.

The Hamilton City Council was not in the mood for the type of co-operation being requested by the B.I.A.C. and the Government. Quite the contrary, it had introduced policies, such as stormwater charges, to transfer the cost of servicing new developments to the Government and the private sector. Not long afterwards it came under attack for holding up subdivision proposals and "aggravating land shortages". A local surveyor was reported as observing:

> Despite Government moves to provide more housing, suitable land in the city was becoming increasingly more difficult to provide.
>
> The Hamilton City Council has been deferring approvals of scheme plans pending reports on stormwater drainage outside the development to be charged to subdividers.[42]

He also pointed to the shortage of water and sewer pipe supplies and questioned the Government's restrictions on the construction of "large homes". Saying that these restrictions "contributed to the section scarcity", he explained:

> More recent shortages and improved knowledge of development and building have enabled many areas of difficult topography to be brought into development.
>
> In many instances services already exist enabling immediate development. If the basement restriction is applied too rigidly this development cannot take place and further accentuates the shortage of land and housing.[43]

The Waikato Times reported:

> Chamber members backed his call for a letter to be sent to the City Council

urging immediate action to halt delays on scheme plan approvals and ease the current backlog.[44]

The City's Mayor found little reason to treat this and other requests sympathetically. From his vantage point the shortages of building materials and other supplies could be attributed to the quite unreasonable level of commercial building which building companies had undertaken during the previous three years. The shortage of loan money for mortgages resulted from the tremendous speculative investments associated with property ventures. High property prices were a result of the central government's failure to move quickly enough into its programme of land acquisition and to take appropriate legislative action. The shortage of sections had been created by building companies and individuals who found it financially advantageous to manipulate section supply, and so on. Now the City Council, along with other local authorities, having watched immense profits being made from land dealing was being asked to compromise its planning policies for the sake of getting sections onto the market. Ironically, in the case of the proposed boundary extension it had been these very policies which had furnished developers with the opportunity to make immense profits in the first place. Concurrent with all this, some building companies were warning local authorities about the questionable quality of Government subdivision development and house construction as evidenced in past projects. All in all it was quickly becoming a "dog eat dog" situation.

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While the City Council pressed on with its efforts to procure land, keeping a watchful eye on the Government, the Boundary Extension Staff Sub-committee tried to prepare the way for the extension.

The Sub-committee had submitted its formal report to

the November 1973 H.R.P.A. meeting. Covering much the same concerns as the H.A.S., it recommended the following:

> ...that the Regional Planning Authority advise the constituent Councils that it considers:
>
> (a) That they should institute an application to the Local Government Commission as soon as practicable for an extension of the City boundaries.
>
> (b) That the application should be made generally in accordance with the staged development set out in Section 1 of the Hamilton Regional Planning Scheme as recommended for approval, but having regard to the results of the detailed studies to be completed by a joint staff group of the constituent authorities.

These recommendations were adopted by the Authority.

By February 1974, survey maps had been ordered from the Lands and Survey Department to assist with the exact delineation of the new boundaries. The County engineers were checking to ensure that what had already been set out in the H.A.S. as "probable" boundaries were not going unnecessarily to impinge upon the boundaries of individual farms located on the perimeter of the proposed growth cells.

At this point the Sub-committee was most concerned with the need to employ more planning staff to prepare the "structure plan" for the areas to be brought into the City. It would be desirable, the Sub-Committee felt, to do the indicative planning for the new areas in conjunction with the preparation for the extension. Therefore, if the H.R.P.A. wanted the extension gazetted on April 1, 1975, it would be essential to employ more staff to prepare District Schemes. The City's Forward Planning Division was still fully occupied with the Comprehensive Plan and could not be expected to turn its attention to the planning of the extension until the beginning of June at the earliest. Should the District Schemes be delayed and not advertised until April 1, 1976, then the Council could not expect development

until 1977. It was safe to assume that the advertising, hearing of objections, and other procedures entailed in the processing of the planning documents would take approximately nine months. If the Council achieved the 1975 deadline then development could be expected to begin early in 1976. The essential point was that if the Council wanted the indicative planning completed for the earlier date then it would have to employ more staff to do the work.

The Sub-committee was also examining another matter of potential political import. This concerned the use of deferred zoning over the land to be brought into the City. In a report to the Council, the Sub-committee noted: "It is generally agreed that blanket deferred zoning of large areas, keeping them for rural use for long periods, should not be necessary in this case, when the extension is to be sufficient only for a five year period". As has already been observed, the two Counties were not prepared to endorse an extension proposal which would involve the loss of a large amount of rural land, especially if it meant that most of it would remain in rural use for some years to come. The Sub-committee, which included staff representatives from the Counties, was well aware of this attitude. Nevertheless, it was accepted that the City Council might find deferred zoning a useful device to control the pattern and timing of development over the land to be added to the City. It could be used as "...a planning tool to ensure orderly development of other areas until they are ready". This limited, but important, use of deferred zoning was not disagreeable to the two Counties. Used in this way it was a further string in the City's bow in terms of its negotiations with the Government over the financing of essential services and other matters.

At this juncture it should be noted that as far as the City engineers were concerned, "Services could be ready to permit occupation of development in the peripheral areas and considerable portions of the Rotokauri and Horsham Downs Stage I Growth Cells by 1976. Funds for these works have

been included in the draft five year financial programme 1974-1979". In other words, although the Council was opposed to placing the financial burden of extending services to the new growth areas on existing ratepayers and was determined to get financial assistance from the Government for this work, it had decided to proceed with a programme to service the new areas. Probably the chief reason for this decision was the fact that new trunk interceptors, water storage tanks and so on required to service existing City areas were to be placed in locations from which it would be possible to service the new areas. The capacity of these facilities was more than sufficient to cope with the predicted population increase and had been designed, in fact, to accommodate the City's population growth. The decisions concerning which peripheral areas and growth cells should be developed first had been strongly influenced by the City's plans to proceed with these works.

In essence the City Council hoped that a major part of the expenditures involved in providing these new services could be re-couped from the Government in the future and/or it would be possible to transfer a proportion of the costs to new residents. But even though the matter of servicing had, for all practical purposes, been taken care of, the City still wanted assurances concerning the up-grading of certain roads and the State Highway Bridge. These matters, coupled with the request for assistance with servicing, meant that the boundary extension would not proceed quickly unless a satisfactory arrangement was reached between the City Council and Government. Also, the Council's concern about obtaining stormwater disposal subsidies was an additional complication.

In addition to the possible use of deferred zoning as a potential "planning tool", the Committee also emphasised the advantage to Council of owning certain areas of land itself in the growth areas.

> ...there could be a number of areas where Council may find it desirable, or even essential, to acquire property to control and protect its planning precepts and that, in this process, it could desire to dispose

> of some of this land to private ownership.

On the regional planning front, the H.R.P.A. had given the first draft of the Hamilton Regional Planning Scheme prepared by its consultants a minute examination. At its August 1974 meeting the Authority resolved to recommend Section 1 of the Scheme and authorised that the steps, required by the "Town and Country Planning Act, 1953" be taken to have it made an "Operative Scheme". Of the amendments to the original draft the following addition is significant at this point in the analysis:

> No urban or industrial development should be permitted that cannot be serviced by public or other approved water supply, drainage, and sewerage systems.

Thus the net was being carefully drawn around the Government. Once the Scheme had become "operative" all development in the immediate vicinity of the City would come under the control of regional planning policy having force in law. If the Government were to act in disregard of this policy it was certain to become involved in an embarrassing political incident. Curiously enough it took the Minister of Works and Development over a year to forward his Certificate of Compliance for Section 1 of the Scheme and this was after the Authority had reminded him of his responsibility in this area. There was no obvious reason for the delay.

The August meeting brought to the fore another potential area of trouble between the H.R.P.A. and the Government. It involved the preparation of an Environmental Assessment and Impact Report for the proposed Rototuna-Taupiri traffic route. The Authority discovered that the Ministry of Works and Development had been carrying out its investigations for the report without apparent regard for the planning policies of the H.R.P.A. A spokesman for the office of the District Commissioner of Works explained it had not been possible to fix the position of "buffer zones", because "we don't know

where urban development is going to take place". He proferred the opinion that it was "a chicken and egg situation - which comes first, urban development or the motorway". Councillor Heather exclaimed, at this point, that an "appalling situation had developed". He noted: "Ministry of Works pats us on the back for having regional policy and then proceeds independently with an Environmental Impact Report. This is making a farce of the whole exercise". In addition, he pointed out the futility of the H.R.P.A. preparing a draft District Scheme for the area involved when it appeared there was no co-ordination between this work and that being done on the Impact Report. Taking up the discussion, the Mayor observed that perhaps the Authority had not taken sufficient trouble to communicate with the committee working on the motorway proposal. In reaction to this comment, the representative from the Ministry of Works and Development, attempting to be constructive, suggested that if the Mayor attended the committee meetings more detailed discussion could take place. He also asked whether there was "anything that we intend to do, conflicts with anything you are doing". The Mayor answered that he did not know but this was not the issue at stake. The question was whether or not the H.R.P.A.'s planning policies were being taken into account in the preparatory planning for the motorway. In turn the representative explained that the Authority was making the matter very difficult for him as it had not provided sufficient detail about proposed urban development in the area. The Mayor drew attention to the H.A.S. which made it perfectly clear that the proposed motorway had implications for urban development. He also noted that it was essential for the National Roads Board to take into account the H.R.P.A.'s policies. As a result of these discussions the Authority passed the following resolutions:

> That the Ministry of Works and Development be requested to confirm that the Environmental Report for this project will take full account of urban development proposals for the area as contained in the 'Hamilton Area Study Report 1972' and in the proposed Section 1 of the Regional Planning Scheme and will include consideration of specific matters such as:

1. Buffer areas between the new route and projected urban development.

2. The distribution and situation of interchange systems and facilities for grade-separated crossings by both vehicular and pedestrian traffic.

3. The relationship of the route with the projected major recreational area based on the existing lakes.

4. The visual impact of the route, particularly upon areas to bebome urbanised.

The Authority also agreed that the City and the Waikato County Council should "...be asked to join with the Regional Planning Authority in offering the full co-operation of their technical and planning staffs in regard to the above matters, with a view to ensuring that they are adequately provided for in the Impact Report". In addition, it was decided to send copies of the H.A.S. and Section 1 of the R.P.S. to the National Roads Board and this organisation's co-operation, as well as that of the Ministry of Works and Development, "...be sought to secure the effective implementation of the policies and objectives outlined".

In private, after the meeting, the Mayor expressed his pleasure about the way in which the Authority had taken a firm stand on the motorway proposal. It signified, in his opinion, that the Authority was coming into its own and was prepared to make it absolutely clear to Government departments that the region's planning policies were not to be ignored. Equally clear, was the Authority's expectation of being fully consulted on matters related to future urban development on the perimeter of the City.

At the next Authority meeting, in November 1974, a letter was received from the National Roads Board. The Board noted it had passed a resolution regarding the proposed motorway. In part the resolution stated:

> That where the proposed extension passes through land which is to be urbanised the design of the extension should take

adequate account of this fact and that the District Commissioner of Works be requested to ensure this through appropriate consultation with the planning authorities involved.

This decision, which was precisely what the H.R.P.A. wanted, was probably influenced in no small way by the activity of the Mayor who was the Municipal Association's representative on the N.R.B. Certainly the Mayor was finding that his positions on a variety of organisations were of great strategic value. He was not at all reluctant about using them to strengthen the negotiating capacity of the City and the H.R.P.A. in relation to the Government and its departments.

In August, the Convenor of the Boundary Extension Staff Sub-committee reported that, although work was continuing on such technical matters as the design and costing of utilities to service the new areas and a draft brief for detailed land use planning had been prepared, the "County Technical Representatives" had advised the Sub-committee "...that they had gone as far as they can in designating proposals for the new boundaries, until there has been a meeting of the Mayor and the County Chairman to discuss their proposals". The Sub-committee had decided to forego its August meeting "pending such a meeting at the political level".

The Mayor of Hamilton was in no rush to reach an agreement on the boundaries with his counterparts in the Counties. By prolonging this part of the process he could effectively stall the extension and thus create more pressure on the Government. Instead of seeking the agreement of his Council for further delays which might jeopardise the 1975 deadline - thereby risking an extensive public debate - he could achieve the same end by moving slowly in his negotiations with the two County Chairmen, neither of whom were anxious to process the extension quickly. A senior member of Council staff later acknowledged that at the same time the Mayor was openly urging haste on boundary extension planning he was quietly telling staff to slow the process down.

The Sub-committee found support for its appeal that something should be done at the political level in Councillor Heather who was becoming increasingly concerned about the process of the boundary extension. At the end of August he wrote to the Town Clerk requesting him to place the entire matter on the Management Committee's agenda and to circulate a memo he had prepared to all Councillors. In his view, the reasons why neither the Council nor the H.R.P.A. had received a progress report for almost a year deserved clarification. The fact that "...a further Council Study has confirmed that the Area Study is six months out in occupancy factor data" made it imperative to do something about the "apparent lack of action". It may be assumed the Councillor was becoming suspicious that the Mayor was responsible for the delay, which to a large degree he was. Councillor Heather, it seems likely, would have read the Sub-committee's report requesting that action be taken at the political level to assist with the exact delineation of boundaries. As the Mayor was the Chairman of the Council's Management Committee he could expect to get some explanation for the Mayor's seeming lack of haste.

By November 1974, the Sub-committee had still not managed to arrive at a firm recommendation regarding the exact locations of the City's new boundaries. For this reason it had not been possible to prepare a timetable for the various steps leading up to the gazetting of the extension. A number of details had yet to be resolved and the City Planner's Department was "...preparing a detailed report on the location proposed for the extended boundary together with the reasons for the location and pros and cons of alternative locations in certain areas". Apparently a meeting between the Mayor and the two County Chairman the previous September had not produced the results hoped for by the Sub-committee. The agreement which had been reached meant that"...the extent of the boundary extension being proposed has been severely curtailed from that originally being considered by the Sub-committee" and, as a consequence, it was observed:

> It is considered that the Local Government Commission could have strong reservations against such a minimal extension. There could, therefore, be some merit in an early meeting between the Mayor, the two County Chairmen and the local Government Commission to discuss the question informally.

It was necessary for this matter to be resolved as quickly as possible if the application for extension was to be prepared for the L.G.C. by August 1975. If this were done then it was probable that the new boundaries could be gazetted on April 1, 1976.

In addition, the City's senior staff argued:

> In order to arrive at a Five Year Programme of Works to present to the National Provident Fund for the purpose of obtaining a guarantee of underwriting of loan requirements, it has been assumed that the boundary extension will be gazetted on 1st April 1976 and that essential services will be extended to serve the new areas before they are occupied.

In August the Convenor also reported that Councillors Heather and Gilchrist had suggested a change to the first stage of the proposed boundary extension programme. The suggestion was to defer development on the Western side of the river in the Rotokauri cell and to include two cells in the Horsham Downs area rather than just the one as planned. This they argued "...would have merit in facilitating community aspects such as Health Service, Secondry Schools, Neighbourhood Taverns, Shopping Centres, etc, at an earlier date than would one cell developed in isolation. It could also have the merit of some decrease in the cost of servicing compared with the development of one cell on each side of the river". Although the Sub-committee had not had formal discussions about the matter, "initial reactions" from members indicated the "possible advantages" of such a change would have to be "seriously considered" in the light of three "disadvantages":that the "...suggestion cuts right across the statement of the Area Study that development should take place on both sides of the river to give the citizen a choice of where he wishes to live"; that, because the Northern Motor-

way River Bridge would not be ready for use before 1979/80 at the earliest, concentrated development on the Eastern side of the river "would produce grave traffic problems on the other bridges"; and that, "There would be political problems in taking a greatly extended area from one county and reducing that taken from the other".

In the opinion of some senior city officials the last "disadvantage" was the most important. As well as not wishing to transfer too much land to the City, particularly if some of it would continue to be zoned for rural purposes, the counties were very sensitive about ensuring a degree of equitability between them in the transfer. For one county's land to be excluded from the first stage of the extension - as would be the case for Waipa County if the Rotokauri growth cell was deferred - would be unacceptable to the other. Both counties wished to retain the strength of their negotiating positions in relation to urban expansion. For one to appear more ready to transfer land to the City than the other could be interpreted as a sign of weakness which might prove to be a liability in future negotiations about further expansion proposals. There was also the important question of rate revenue. The Councillors' suggestion involved an immediate and substantial financial loss to the Waikato County. This authority, it could be expected, would mount vigorous political opposition - with serious consequences for regional co-operation - to any proposal which ignored the understanding that the financial losses resulting from the City's expansion should be shared, as far as possible, equally between the two Counties.

For the City it was very important to retain the co-operation of both Counties. The advantages of the Councillors' suggestion had to be considered in the context of the problems which were likely to develop if the coalition within the H.R.P.A. disintergrated. It was this coalition which provided not only the political environment for comprehensive regional planning but also the political strength for the City's negotiating position with the Government. Without the support of the Counties, the City could very well find itself in severe difficulties in both these areas.

The problems which developed during and after the 1962 boundary extension had to be avoided at all costs.

Under the circumstances, it was somewhat surprising that the two Councillors decided to forward such a proposal for consideration. It may have been an attempt to stimulate the process towards an extension, both individuals sensing that it had been bogged down through the machinations of the Mayor. On the other hand, there was evidence to suggest that the Mayor and his senior staff were far more sensitive to the political niceties of the City's relationship with the Counties than were most of the Councillors. Whatever the case, the suggestion went no further.

Importantly, while staff members found it sensible to co-operate with the Mayor's tactics to slow down progress towards a boundary extension, they also had a responsibility to secure the City's borrowing programme by preparing submissions for the National Provident Fund's consideration. This situation required them to exercise a great deal of political discretion, especially since it was evident the Mayor was not acting exactly in accord with the expectations of some of his Councillors. The latter assumed that planning for the extension was moving along as quickly as possible. Others, as would be expected, were not concerned about hastening the process. But most Councillors would expect the staff to be preparing a Five Year Works Programme. If this were not done then the staff could expect criticism. Apart from this it was also evident that the engineers were becoming worried about their works programme. For this reason there was a lack of enthusiasm for the Mayor's delaying tactics and certain staff members took the opportunity to quietly convey their unrest to sympathetic Councillors. Hearing of this, the Mayor made it clear at a staff meeting that the final decision as to when the boundaries were to be extended was a "political one", and thus none of their business. They were expected to confine themselves to the administrative matter of preparing the way for the extension.

At the December Council Meeting Councillor Heather

took the opportunity to refer to some of the points of concern which he had raised in his August memorandum to the Town Clerk. He drew attention to what he considered to be an increasingly critical shortage of sections and pointed out that the maximum acceptable number of vacant sections would, if the building trend continued, be reached six months ahead of the predicted date. Councillor Page did not agree. To the contrary, he wondered if the Council should be re-examining the date of the boundary change with the intention of delaying it. He disagreed with Councillor Heather's opinion that the section shortage was causing an escalation of section prices. He felt prices had, in fact, "levelled off". In addition, re-development of older areas of the City, particularly in Frankton where older houses were being either renovated or replaced, was reducing the pressure for a boundary extension. This redevelopment plus the remaining empty sections would, he argued, satisfy the City's needs in the short-term. The exchange did not continue and it was apparent from the way it came to a quick close, and the tenor of the discussion itself, that the matters at stake had received an airing in a closed Management Committee meeting some time before the open Council meeting. The Mayor, it may be assumed, was still managing to maintain control over the way in which the boundary extension and other related matters were to be handled. The Council's position received re-affirmation in a resolution regarding another matter and this concerned the Government's Notice of Intention for the Horsham Downs area.

In November, Government authorities had announced that "...the Notice of Intention to take land for State Housing in the Horsham Downs area has been renewed in respect of certain properties but has been allowed to lapse in respect of some of the land". Having been informed of this decision by the District Supervisor of the Housing Division the Council passed the following resolution:

> That the information be received and the Division be asked to indicate the timing of this development programme and if this meets Council's Planning and Works Programme,

> that its attention be drawn to the need to upgrade roads leading to the area and also the need to provide access to the industrial area in Te Rapa.

The Division's announcement came as something of a surprise and created further worries for the City Council. The covering letter from the Housing Division explained:

> Government has reviewed the question of its land requirements in the locality and has decided that the acquisition of certain land situated to the north eastern side of River Road will enable it to meet its housing objectives in respect of comprehensive planning and programmed development for some years to come.

A memo from the City Planner's office stated that the renewal of the Notice of Intention encompassed "only 224 of the original 483 acres". Twenty-two private land owners would be left in the Horsham Downs No. 1 Growth Cell. The following information was also provided:

> (a) ten owners have less than ten acres (total = 42 acres)
>
> (b) four owners have between ten and twelve acres (total area = 44 acres)
>
> (c) four owners have between twenty and thirty acres (all properties divided into two lots) (total area = 99 acres)
>
> (d) four owners have between sixty-nine and 163 acres all properties being subdivided into smaller lots mostly of ten acres but a few around twenty acres, (total area = 238 acres inside the cell).

The memo observed:

> Of the fourteen owners who have less than twelve acres, seven have properties between River Road and the Waikato River, with the other seven properties lying to the South East of the junction of River Road and Rototuna School Road.

The Government's decision had certainly not made matters

any easier for the City planners.

> The basic implication of the change in Government action is that it could be expected that there would be greater difficulty in implementing a comprehensive scheme for the cell with the number of owners who would now be involved. In this regard there can be no compulsion on an individual land owner to undertake subdivision and this could have implications for the programming of cell development. However one major private land owner, i.e. Prestige Homes who holds 112 acres (approximately), was in fact excluded from the initial Notice of Intention to take land, presumably on the basis that they would fully co-operate with the Housing Corporation in the achievement of a logical programme of development.
>
> A further implication is that Council and other public bodies will have to buy land within the Growth Cell for various purposes; e.g. recreation, public utilities, educational facilities, and in some cases these negotiations will have to take place with private owners whose willingness to sell cannot be assumed and whose asking price may not be as reasonable as would be the case if these bodies were dealing with the Housing Corporation.

There was more to the situation than the letter from the Housing Corporation indicated. The Waikato Times reported: "The Government is refusing to approve a number of land purchases at Horsham Downs because the price is too high...".[45] A person who "didn't want to be named" but who was described as being a spokesman for the Housing Corporation in Wellington "...confirmed that this was 'probably' the case". The Public Works Act, it was noted, required the Corporation to pay current market values and "...in at least one case, the price is around $4,800 an acre". Such prices, the report advised, had been considered far too high for low-cost housing and had been "rejected at Ministerial level".[46] However, both research for this analysis and the newspaper report suggested the Housing Corporation had not given up the idea of eventually purchasing the land over which the first Notice of Intention had been allowed to

expire. The un-named spokesman was quoted as saying:

> It's my belief that the market is favouring buyers to an increasing extent.
>
> For years sales have gone upwards; it's hard for some people to accept that prices are now going down.
>
> The Government can't go on feeding inflation.
>
> Public funds are being used, and the best value possible must be obtained.[47]

Based on the interview, the report observed: "It was the Government's practice in such situations to watch the market closely and take advantage of changes". In addition the spokesman "...denied that the cost of taking over the required land at Horsham Downs was beyond the government purse", saying that, "We haven't yet reached any stalemate situations, and I doubt if we'll fail to reach agreements forever".[48] These comments were similar to those of another informant in the Corporation who expressed the view, somewhat tongue in cheek, that prices would become more reasonable as soon as it became clear that the Corporation was determined to push ahead with State housing and low-cost housing development. The implication was that such development would tend to have a depressing effect on land values. He too noted that property values were generally coming down to more reasonable levels. On this point the Assistant General Director of the Housing Corporation was reported as commenting "...the economic situation meant there were more people selling land in Hamilton and elsewhere - than a year ago". And: "When you can buy land, there's no need to take it".[49]

In addition to this , the Assistant Director General observed with regard to Horsham Downs "...that opposition by landowners, and moves taken by them to block the acquisition, had been a factor in the decision".[50] The landowners, following the example of others in similar circumstances in other parts of the country, had waged a continuous battle against the Government's acquisition moves. They had organised themselves into the "Horsham

Downs Land Owners' Action Committee" and initiated proceedings to have their case heard before the Town and Country Planning Appeal Board. In May 1974, The Waikato Times reported that "six of the 19 property owners had ...refused to allow Ministry of Works surveyors on to their land".[51] This prevented "a full survey of the area" which "...is understood to be essential for preparation of a scheme plan to be presented to a Town and Country Planning Appeal Board hearing of the acquisition issue".[52] One of the landowners, a local solicitor, had challenged the advice given by the Ministry of Works solicitors to the effect that the surveyors had the right to carry out their work on the respective properties, saying: "...from my reading of the Act, it appears they are only allowed on land once, and they've done that".[53] The solicitor expected the Ministry to take the issue to court and was preparing his fellow landowners for this eventuality. As it turned out, the Corporation's decision to eliminate certain properties from its second "Notice" brought the matter to a close. The Corporation, it may be surmised, had decided to avoid becoming embroiled in court proceedings and hearings before the Appeal Board, particularly now that the state of the property market made it more likely that future negotiations would result in purchases at reasonable prices. Even before the second "Notice" was announced there had been, according to one informant, enquiries from some of the more obdurate landowners about the possibility of entering into negotiations with land purchasing officials of the Ministry of Works and Development. Political considerations, the evidence suggested, had also been a factor in the Corporation's decision to forego the compulsory acquisition of certain properties. While the remaining land was supposedly sufficient to satisfy Corporation needs, the Government was continuing to receive a great deal of public criticism for its acquisition activities. Statements by "Action Groups", combined with the Opposition's efforts to instil suspicion that the Labour Government was coming increasingly under the control of "left-wingers" intent on nationalising all the land, were likely to create serious political problems which the Government could do well without in the coming

election year. Given the choice between public confrontations with private landowners and taking advantage of changing market conditions it was more politic to opt for the latter.

Of the landowners whose properties had been included in the second acquisition order only one, it was reported, decided to continue the fight against the order. Through his company, Bruce Properties Limited, this individual owned twenty-five acres situated approximately in the centre of the proposed growth cell. In October his solicitor informed the Town and Country Planning Appeal Board which was to hear his client's objection to the acquisition that he had filed a motion with the Supreme Court "...claiming that the notice served by the Minister of Works in 1973 was invalid - on grounds that either the Minister had no power to issue it, or that he 'wrongly exercised' the power he had".[54] As a consequence the "hearing was adjourned, to be reconvened if requested by either party".[55]

The news of the Corporation's withdrawal produced various reactions from the Mayor and Deputy Mayor. The latter's remarks underlined his concern that the principles of the growth cell concept, especially with respect to encouraging a mixture of State and private housing, should not be lost sight of in the rush to produce more low-cost housing. He was reported as saying: "It was likely the division had decided to retain only the land suitable for low-cost housing".[56] And:

> That's their particular interest, and it would be reasonable as far as they're concerned.
>
> But I would still prefer that not all of that land be developed for low-cost housing. I still believe some areas of land should be exchanged with developers in the northern area of Horsham Downs and the Rotokauri growth cell.[57]

The Deputy Mayor did not feel the Corporation's announcement meant that "...the Council should postpone its next round of boundary extensions, planned for April 1976".[58]

The Mayor took a firmer, and decidedly more political stance and used the occasion to emphasise the need for redevelopment within the City. He was not, it may be interpreted, going to ease the pressure on the Government for financial assistance with the boundary extension. Neither was he going to allow the Corporation to organise its affairs without taking account of what effect its actions would have for the City's planning objectives. Unless there was a more reasonable attitude in respect of both these matters then the future of the boundary extension would remain in doubt. He said:

> ...the reduction in land the division (Housing Division) intended to take, combined with the present low subsidies available for sewerage, water and storm-water drainage, could mean considerable delay in the boundary extensions (My parenthesis).[59]

Redevelopment, the Mayor suggested, was an alternative to the extensions. The Deputy Mayor doubted the efficacy of this suggestion and observed: "...stormwater drainage reports in recent months, and roading requirements, indicated that redevelopment would be expensive". He concluded: "It would be cheaper to extend the boundaries, as developers will be asked to provide all services".[60]

Concern about the City's financial situation became more pronounced at the beginning of 1975, when it was learned that the Engineering Department had over-spent its budget allocation by approximately three hundred thousand dollars. The City Treasurer and the Town Clerk prepared a report on the matter which contained recommendations for improving the Council's budgetary control procedures. During the discussion of this report at the Council's March Meeting, both the Mayor and his Deputy, Councillor Heather, pointed to the increasing costs of maintaining city services and the rapidly escalating prices of materials required for new services. The Deputy Mayor, who was also Chairman of the Works Committee, observed that in the interests of providing essential services, the Council had found it necessary to keep maintenance expenditures down. However, the allocation

for maintenance, given cost escalation, had proved to be insufficient and this had been a major cause of the financial difficulty the Council now faced. He warned the Council that it had to be prepared to provide the funds necessary for such purposes as street maintenance. To do otherwise would lead to an unacceptable deterioration of the City's existing services. The Mayor, in his turn, observed that it was becoming impossible for the City to finance its maintenance and capital expenditure programmes satisfactorily. That the engineers had overspent their budget was no single person's responsibility but a "collective responsibility" which was a manifestation of the Council's inability to cope with the costs generated by rapid growth. Rates no longer provided an adequate source of revenue. The evidence now clearly indicated the need for local authorities to have an alternative source of revenue.

The Mayor contended that the City's financial problems were "not peculiar to this City". Local body finance had become a national problem requiring leadership from the central government in the formulation of financial priorities for the country as a whole. Using road finance as an example, and basing his remarks on his experience as a member of the National Roads Board, he explained that the "great bulk" of revenue from petrol tax was being channelled into the country's Consolidated Fund and a comparatively small amount into the National Roads Board. For local authorities, given the limited resources of the N.R.B., this situation created an immense problem in road construction. The Mayor intimated that in his view the Government was attempting to avoid the embarrassing decision of having to raise taxes by passing on an increasing share of the costs of government to local authorities. This was occurring at a time when local authorities no longer found it possible to finance their operation on the basis of rates. To make matters worse the central government appeared to be reluctant to provide local government with an alternative source of revenue or, for that matter, to increase and broaden the range of subsidies to local authorities. Importantly, the Mayor observed that if it were accepted

that the City Council could not obtain the finance required for maintaining the existing level of services within the present City boundaries, it would find it "impossible to finance capital expenditures related to the boundary extension". "The real truth will be faced with the boundary extension", he asserted.

In February 1975, the Local Government Commission was advised, at an "informal" meeting, that the members of the Hamilton Regional Planning Authority had agreed that the City boundary should be extended on April 1, 1976, and the area to be included would be sufficient to satisfy the City's "growth needs" for a period of five years (1976-1981). There had been one previous "informal" meeting in November 1974 between the L.G.C. and representatives of the three Councils when the Commission had agreed not to oppose a "five year boundary extension". Having been reminded of this agreement the Chairman of the Commission stated that "...provided the Councils were in agreement and notwithstanding the rather short term nature of the extension proposed, the Commission would promulgate the proposal". Discussion established that in order for the extension to be promulgated by April 1, 1976, the Commission would have to receive, by July 31, 1975, a map giving the full description of the new boundary and a document indicating that the three Councils had given their formal consent to the change. One month later the Commission would promulgate the Local Scheme and from this time until the middle of October the Scheme would be advertised and objections, if there were any, received. The latter was the statutory objection period. Following this, the Commission would take one month for the actual hearing of any objections. This would take the exercise to the middle of November. By the middle of December the Commission would be in a position to issue its decision on the final scheme. It would then take approximately one month to obtain an Order in Council.

Shortly after the February 1975 meeting with the L.G.C., the Chief Surveyor for Hamilton, Lands and Survey Department, was contacted to complete a legal description of the new

boundary. In April 1975, a confidential report on the boundary extension, produced by the H.R.P.A.'s Joint Staff Committee, was circulated to the City Council and the two County Councils. It was necessary for the local authorities to agree on the details of the boundary extension by the middle of June if the Chief Surveyor was to be in a position to prepare a map for the L.G.C. for the end of July. The two County Councils resolved to approve the proposals outlined in the report at their respective May meetings. The City Council resolved that the proposals be accepted at its June meeting, but added the proviso that the "...actual development will not be proceeded with until such time as the necessary financial arrangements have been approved by the Council and completed". Copies of the confidential report were forwarded to the Chief Surveyor at the end of June 1975.

In March 1975, Councillor Heather, who had become the Deputy Mayor and the Chairman of the Works Committee after the Council election, wrote to the Town Clerk regarding the servicing problems which would arise with respect to the proposed extension of the North East boundary of the City. In particular, he was concerned about the proposed Dulverton housing development. He observed:

> The existing roads leading to this area i.e. River Road and Hukanui Road are both substandard County roads taken over by the City in 1962 and the City has still not had sufficient money to upgrade them to present subdivisional standards. As the Housing Corporation is the major land owner with an interest in early housing development in this area it would seem appropriate that the Minister of Housing be approached to see what additional pressure he can bring to bear to ensure that sufficient funds are available for at least the upgrading of River Road prior to the development of Dulverton.
>
> Upgrading of River Road of course does not solve the problem of access to the western side of the Waikato River and it would seem appropriate also to draw the Minister's attention to the need for a river crossing at this junction and the difficulty Council is having in getting the National Roads Board to approve working drawings for this crossing this year in order to allow the bridge to be commenced in 1977.

> With regard to other servicing problems, the Council has indicated that it intends to ask developers to make contributions towards the cost of trunk services leading to areas under development.
>
> It is not clear what the Crown's attitude towards this policy is, and it would seem appropriate to also take this matter up with the Minister.

The Deputy Mayor asked the Town Clerk to draw the above matters to the attention of the Management Committee for its consideration.

In April, the City Council wrote to the Ministers of Housing, Local Government, and Works and Development requesting financial support for stormwater drainage, a bridge across the Waikato River to give access to proposed new development areas, and the upgrading of existing roads to these areas. Each Minister was also sent copies of the City's comprehensive study reports.

In May, the Hamilton Regional Planning Authority received a letter from the Minister of Works and Development. Ostensibly it was an initial response to Section 1 of the H.R.P.A. which had been sent to his office the previous November; however, it contained a number of comments apart from those concerning certain details of the Scheme. They are of critical interest to this analysis. The Minister noted:

> ...I am perturbed at some of the implications of the anticipated growth of Hamilton which the scheme has brought to light. The Authority has obviously gone to considerable lengths to choose directions of growth which would avoid soils of the very highest quality, yet the proposed northern expansion still involves the loss of soils that are of only somewhat lesser quality and which within New Zealand context are still undoubtedly of 'high actual or potential value for the production of food'.

Exactly why the Minister had decided to bring this matter up was not at all clear. Given the Government's acquisitions in the fertile Dulverton area (Horsham Downs), it seemed a

little late to begin worrying about the loss of farm land to urban development. One experienced observer hazarded the guess that the change of Ministers - the Hon H. Watt had been replaced by M. Connelly - had enabled certain civil servants, namely those in the Town and Country Planning Division, to gain greater influence in the Department's affairs. Concerning the Government's land acquisition, the Minister noted:

> The form of growth proposed by your authority apparently offers economies in the provision of services and the possibility of achieving better structured and more identifiable local community areas than would be the case with the normal pattern of urban sprawl. No doubt there are many difficulties ahead in realising these positive concepts, but the intentions are commendable. The Government has already shown its support of these concepts by the purchase of substantial areas of land in the Horsham Downs area.

As has been observed, the City Council did not place the same interpretation on the Government's acquisition decision. It was still waiting for the Minister of Housing to affirm that his Department would abide by the policies and objectives of the H.A.S. and now Section 1 of the H.R.P.S. The Minister went on to say:

> Nevertheless the rate of growth forecast in your scheme is disturbing in its possible consequences. Such a rate would not only result in a rapid annual loss of productive land but would also demand a scale of investment in basic urban services and facilities that could so strain central and local government resources that the successful achievement of your planning objectives may be seriously compromised.

The H.R.P.A. would have no disagreement with this comment. However, by this time, as far as it was concerned, the greatest threat to its planning policies appeared to come from the Government itself.

The Mayor read the Minister's closing paragraph with great "interest" and more than a little humour. It read:

> This leads me to the view that close consideration should be given to possible alternatives to the channelling of virtually all of Hamilton's expected growth into an expansion of the existing city. I know your authority is conscious of the need to examine such possibilities and the results may be reflected in subsequent sections of the regional scheme. However, I am sure the authority would agree that such studies can be largely hypothetical unless there is a close involvement and commitment from central government. I therefore suggest there could be advantages in forming a joint study group of officers representing Government and your authority to report on alternatives to a growth policy centred solely on Hamilton, together with an indication of the implications and costs of any that are considered feasible. Could you please let me have your authority's views on this proposal?

This "proposal" was exactly what the Mayor had been urging upon the Government for at least three years. He had repeatedly asserted that the City had no desire to expand forever; indeed, he had frequently described Hamilton's rapid growth as a very real problem and the only solution was to direct investment, both Government and private, elsewhere through a properly worked out regional policy within which the activities of both levels of government were fully co-ordinated. As has been noted elsewhere an attempt had been made through the regional development programme to implement such a policy but the Minister of Trade and Industry had rejected it out-of-hand.[61] At the August 1974, Regional Planning Authority meeting, an extensive discussion had taken place on the question of the City's growth. The Mayor asked the Authority whether it desired to have a statement in Section 1 of the H.R.P.S. concerning the City's growth and expansion. Having been asked for his opinion to get the discussion going the City Planner described the question as a "curly one" which had not received his specific attention; however, he observed it was his understanding that it was not the Authority's policy just to encourage growth in Hamilton. The ultimate objective, he thought, was balanced regional growth and

there had been some suggestion that the best way to achieve this was "to get smaller towns in the region into a position to accommodate industrial growth". The Mayor confirmed this. Balanced regional growth was the City's aim, he explained. Adding to this, Councillor Gilchrist, a City Council representative on the H.R.P.A., expressed the view that there was a definite need to have some general statement about the City's growth in Section 1. He pointed out the population forecasts from the M.O.W. and D. which implied that rapid growth "will occur". In his view, action had to be taken to prevent this growth from occurring. "Rapid growth can be curtailed and many of us would like this to happen". A recent tour of the N.R.B., during which the Minister of Works and Development had suggested that smaller communities should be encouraged to grow, was also referred to. But, the Mayor observed, the Minister had not made it clear how he intended to implement this idea in terms of specific policy. Returning to the H.R.P.S., the Mayor expressed concern that unless some statement was added to Section 1 it could be read as an indication of a desire on the part of the City for "indefinite growth": "At some point it might be considered wise to check the growth". Councillor Jansen suggested the Mayor's comment implied that "we don't know when this point will come". For his part, he felt the Authority should be "thinking about this now" and actively "promoting the region's satellite communities". The City Planner agreed with this statement, observing that the Authority "should be looking for a slowing down of growth in Hamilton and promotion elsewhere". Taking up this point, the Mayor noted that at some point it would be necessary to advise small regional communities of the necessity to prepare themselves to absorb growth.

The discussion was important in clarifying the City's position with respect to the promotion of growth and because it reflected the awareness of City Councillors and staff that growth was not to be considered inevitable. The future pattern of growth, it was acknowledged, could be influenced by the policies and activities of the H.R.P.A. The final result of the discussion was the following resolution:

> That the consultants be asked to include an appropriate statement in Section 1 of the Regional Planning Scheme pointing out that proposals contained in the Scheme are not intended to indicate that the rapid growth of Hamilton City will necessarily continue or that the City is to grow indefinitely.

The Mayor took up the Minister's suggestion of a "joint study group" and urged him to nominate his officers so that the study could begin. As events turned out, nothing emanated from the Minister's office to further the proposal. One month later, the Minister of Works and Development replied to the Council's April letter. He noted that, before the matter of stormwater subsidies could be considered, the Waikato Valley Authority had to have an opportunity to evaluate the Council's drainage proposals. Regarding the bridge, he observed: "The National Roads Board at this stage has agreed that plans and design for this bridge may be prepared, but construction must await completion of a two-lane arterial road between Hukanui Road in Hamilton and State Highway No. 1 at Taupiri". So, the Minister continued to avoid making a commitment to the Council's servicing programme, although some progress had been made on the bridge with N.R.B.'s decision to have plans for it prepared. Interestingly enough, Hamilton's Mayor was still a member of the N.R.B. at the time.

At the end of July 1975, the Minister of Local Government wrote to the Council explaining that he had had discussions with the Ministers of Housing and Works and Development concerning the matters raised in the Council's letter. He reported:

> The Minister of Housing has advised me that while he is sympathetic to the position of Hamilton City and concerned that financial problems facing the Council might unduly delay subdivisions for housing purposes, he could not agree at this time to the Housing Corporation meeting greater contributions towards land subdivision costs than a private developer would be expected to meet.

By this time, the Hamilton City Council expected all developers,

including the Government, to make contributions to the provision of trunk services and stormwater drainage.

The Minister of Housing wrote to the Council towards the end of August, appealing again for co-operation.

> The Housing Corporation is very much dependent upon the ability of urban local authorities to provide assistance toward the provision of house sites by the Corporation and other subdividers. Obviously, your stormwater disposal problem is not new and will take a considerable time to overcome. I would nevertheless expect that your Council will do its utmost to assist toward alleviating the immediate problem of finding urgently needed house sites, bearing in mind that the engineering development of these sites will also take some time after scheme plan approval is given.

Thus, for the Minister the dominant concern was the provision of sections for house construction. Such problems as stormwater disposal, which had existed for years and for which there was no immediate solution, were of secondary importance. The Council had a responsibility to assist the Government with expediting the provision of low cost sections. Regarding the request for assistance to upgrade roads, the Minister observed:

> No doubt you will appreciate that it is not Government policy for one Government Agency to subsidise the work of another. Your Council will be eligible for N.R.B. subsidy for upgrading of that part of River Road and Hukanui Road not forming part of a subdivision. For that part of the work, the Corporation may not make further subsidy finance available.

At its September 1975 meeting, the Council resolved that a Sub-committee comprised of the Mayor and Councillors Heather and Taylor be authorised to discuss stormwater subsidies and the provision of services in new areas of the City with the Minister of Housing, Works and Development and appropriate government departments. Councillor Webb, while in favour of the resolution, thought that

Council had already passed a resolution at a previous Council meeting recommending that representations be made. On this point he was correct and there appeared to be no explanation of why the representations had not been made. It is probably fair to assume that it was a part of the Mayor's strategy of delay. As the national election neared it was politically efficacious to maintain pressure on the Government by stalling negotiations as long as possible.

In October, the Council wrote to the Minister of Works and Development informing him the City had been following a policy of making the City's Stormwater Disposal Reports available to the W.V.A. for its evaluation. In fact, as each one was completed a copy was sent to the Authority. The letter again drew attention to the serious problems which the City was facing in disposing of storm-water run-off. It further explained that the Council had prepared detailed submissions for his consideration and that of the Ministers of Local Government and Finance, the National Water and Soil Conservation Authority and the Soil Conservation and Rivers Control Council. In conclusion, the letter stated:

> Further housing and commercial development throughout the City and in the areas on its outskirts proposed for development will be unable to proceed unless adequate funds are available from some source to alleviate this problem.

That the Council had to be taken seriously was exemplified by its refusal, in April 1975, to approve a subdivision application from the Housing Division. The application provided the Council with a welcome opportunity to impress upon the Government that it was not prepared to dispense with its policy on stormwater charges in cases of government development, or private development for that matter. Early in 1975, the Mayor requested that a special check be made to ensure that the formula was being applied to all government projects within the City. The April resolution included the following two points:

> As there are or are likely to be problems with the disposal of stormwater in the catchment in which the subdivision is situated and an adequate stormwater system is unlikely to be available within a reasonable time, the proposed subdivision, as shown on the scheme plan submitted be declined.
>
> The attention of the Minister of Local Government be drawn to the application for stormwater subsidy and the fact that the Council has had no option because of lack of funds for stormwater work, to decline approval of this and other subdivisions at a time when the supply of housing sections is critically short.

During discussion of the resolution Councillors observed that the City's section shortage was not of the Council's doing but reflected the unavailability of servicing finance. It was agreed that the region's three Members of Parliament should be approached once more and apprised of the City's difficulties. In the interim, until such time as finance was made available, it was decided that the City would be unable to co-operate with the Government's housing programme in cases where stormwater disposal was a problem.

The Minister of Housing also received a letter from the Council in October 1975. It was noted that in his August letter the Minister had observed "...that the normal roading financial policy will apply to those sections of River Road, Hukanui Road and other adjacent City streets which require to be upgraded to carry the traffic to and from the Dulverton and other development areas". Continuing on, the letter observed the necessity of having a bridge built across the river to link the new areas with the industrial areas of Te Rapa and Frankton where it was expected that most new residents would work. The letter noted: "Your assistance in maintaining full emphasis on this proposal will be appreciated".

The next section of the letter was carefully couched and suggested that there was some reason for the Council to expect a greater degree of co-operation from the Minister; or was an attempt to create a more amicable negotiating

atmosphere.

> It is also noted in the same letter that while the Corporation does not normally make finance available for Local Authority works, in the case of Dulverton and presumably other areas, some arrangements may be entered into. The Council sees a somewhat similar situation to that which pertained when the Fairfield and Melville areas were developed in the 1950's. In general, the Council estimates that over a period of five years in the Dulverton, Rotokauri and other peripheral areas envisaged as being brought within the City boundaries, a sum of approximately $5 million will need to be spent to provide the necessary water, sewerage, stormwater, roading, energy supply and recreation services - in other words, something like $1 million per annum.

The letter to the Minister of Housing also stated:

> Apart from financial matters, the Council is also concerned that development of these areas proceeds in line with the objectives set out in the Hamilton City Comprehensive Development Plan 1974. It is seen as timely that an understanding and basic agreement be reached with the Corporation on development policy. At the local level there is every indication that effective co-operation and collaboration will be maintained between officers of the Corporation and those of the Council. However, it is in the area of the Housing policies which Corporation officers at District level are to implement that the Council seeks clarification.

Two years had gone by and still the City Council had not received assurances that the Housing Corporation would accept the H.R.P.A.'s planning objectives as part of its development programme for the Horsham Downs (Dulverton) area. Without these assurances development would not be allowed to proceed. The evidence suggested that despite the co-operation of local Corporation officers, further planning for the area could not proceed until the Corporation, at the Head Office level, had clarified its policies. The City Council continued to be worried, and justifiably so as it will become clear, about the Corporation's intentions.

Although co-operation had been achieved between the City

staff and Government officers at the local level, it had become apparent that before any plan could be implemented approval would have to be sought from the Wellington Head Office. Final agreement on development proposals required this. Since local Corporation officers seemed unable to obtain clarification from Head Office, it became necessary for the City Council to deal with the situation at the level supposedly where Corporation policy received final formulation i.e. the Minister's Office. This appeared to be the only sensible way to proceed. Local Housing Corporation officers were placed in an invidious position. That they were willing to co-operate, however, was important and the City's senior staff were anxious that nothing happened harmfully to affect the rapport achieved. On at least one occasion, the Mayor was advised that it would be unwise, and unfair, to take his wrath out on local Corporation staff. It was important to avoid giving them the feeling that they were caught in a political cross-fire between their Wellington superiors and local politicians. This would make collaboration more difficult. It may be assumed that the decision to communicate directly with the Minister took these factors into account and was a means of assisting local officials to get the policy information they required without involving them directly.

The letter to the Minister explained that the Council "...felt that at this stage there should be consideration given to achieving mutual agreement on specific matters relating to the proposed development...", and attached an appendix titled "Heads of Agreement" covering the matters concerning the Council. This document had been prepared by the heads of the various City departments in conjunction with the Sub-committee which had been set-up by the Council to pursue discussion with Government departments. The final submission was based on a draft statement prepared by the Mayor. It covered a wide range of topics, some of which are pertinent to this analysis. The introduction stated:

> The Council wishes to ensure that every endeavour will be made by the Corporation to take full advantage of the opportunity

> to create the highest possible standard of residential development and to avoid the numerous deficiencies exhibited in past State Housing areas. These deficiencies include:
>
> (a) Poor subdivisional layout;
>
> (b) unduly large concentrations of particular types of housing;
>
> (c) absence of environmental features;
>
> (d) absence of provision of community facilities - for example sites for play centres, location and design for schools;
>
> (e) failure to co-ordinate development, with the provision of services.
>
> Your attention is drawn particularly to the Chapters in the Comprehensive Development Plan concerned with residential development and recreation requirements.

This [illegible] presented, in a succinct fashion, the worries that the Council still had about what the Corporation intended to do in the Horsham Downs (Dulverton) area. It reiterated once more Council's desire to have assurances that residential development conformed with the policies of the H.R.P.A. Continuing [illegible], the appendix noted:

> The ratio of State to private dwellings. In other words, the number of houses built by and for the Corporation, as against the number of sections expected to be made available to private developers, is of concern. Further, within the Corporation development it seems desirable for a range of housing types based on an appropriate range of section sizes and density factors to be provided. Assurances are sought in this regard.

The Mayor and certain Councillors were aware of some of the types of houses that had been approved under the "design and build" programme and there was good reason not to be impressed. As one observer put it: "It is important to ensure that the Dulverton growth cell does not become a well laid-out slum". This matter had received considerable thought throughout the preparation of the H.A.S. and it had been determined that the eventual success of the growth cell

concept depended in no small way on a mix of housing types and people. The concept would fail if, for example, in the case of the Dulverton cell, an area became a traditional State housing project. For this reason there was a great interest in getting the involvement of private developers prepared to construct homes for other than State purposes. While it had been felt from the beginning that the Corporation should provide some variety of accommodation, this idea took the form of an imperative as the Mayor and Councillors detected a drop in the standards of design and structure of State housing being processed through the "design and build" programme.

The appendix also brought up the question of buffer zones for the new highway. This illustrates the kind of political strategy the City Council had evolved to force the Government to accept certain development requirements. For this reason it is worthwhile quoting the complete statement.

> In the projected Dulverton growth cell area the construction of a major traffic route is well advanced. It is pointed out that contrary to Council's wishes, this roading work has commenced without an environmental assessment of its likely impact on future urban development being undertaken. As the Corporation's land abuts this major traffic route Council seeks an assurance that effective steps will be taken to offset nuisance factors detrimental to an optimum living environment arising from this major roading facility. In this connection, it appears that there are a number of alternatives. The Ministry of Works and Development, as the agent for the National Roads Board (the Highway Authority) should provide at its own cost, a sufficient buffer zone. In Council's mind, this is the preferred solution. Alternatively, the land could be zoned as rural. The effects of this on the Corporation's activities will be obvious. A further possibility which has been suggested by the Corporation is that in the servicing of the subdivision, a ring road parallel and adjacent to the Highway would provide a buffer between residential properties and the traffic on the Highway. A fourth alternative is for the City Council and the Waikato County Council to seek the Local Govern-

> ment Commission's approval to the boundary of the City being drawn in fact some distance short of the Highway. That is to say, the required buffer zone would remain under the control of the County.

The City Council was afraid that unless it forced the issue the M.O.W. and D. would not provide the required buffer zones between the new highway and proposed residential development. It was quite conceivable that the Ministry would attempt to build the highway without allowing for buffer zones and the Housing Corporation would take its development to the edge of the highway. Again, the growth cell concept was being threatened. But the City Council, because the boundary had not been extended and the exact location of the new boundary not yet finalised, retained the initiative. Unless the Corporation and the Ministry were prepared to co-operate, then the Council would use its zoning powers, or influence in the H.R.P.A., with the co-operation of the two Counties, to ensure the final boundaries had the effect of creating buffer zones. From a strategic point-of-view the latter course of action was far more likely to succeed. More will be said of this later in the analysis.

Dealing with financial matters, the appendix observed:

> It is noted that the Corporation is prepared to meet service charges which may be imposed generally by the Local Authority in respect of subdivision and to make contributions generally in terms of the Municipal Corporations Act, as normally applied to private subdividers. The Council has resolved that the costs of providing public services to developments in the new areas, added to the City, shall be met by developers. This is to include not only the internal services within the subdivisions but a proportional share of the cost of major trunk, sanitary and stormwater sewers, water mains and reservoirs and of the cost of up-grading existing County roads. It would be understood that the Corporation would meet other conditions of approval, including contribution to recreational reserves and provision of under-ground reticulation for energy supply.

This certainly made it clear, that the City was not going to accede to the Corporation's continuing appeal that local

authorities smooth the way for the provision of cheap sections. As has already been observed, the Council took the position that if the Government wanted cheap sections then it would be necessary for the Housing Corporation, or some other Government department, to subsidise development. The City Council was not going to fall into the trap of being encouraged to allow development to proceed only to find itself having to pick up the tab at some later point for the provision of services which should have been provided in the first instance. As one observer put it: "The era when the provision of a septic tank was the main condition for approving development is long gone". While the Government had indicated that it was prepared to meet normal service charges, this was not necessarily a guarantee that servicing would be sufficient to meet the requirements of a properly planned growth cell. The Council had decided in any case that this level of contribution was not good enough. It had determined that it was not going to carry any of the costs of servicing new development and only a proportion of the costs of extending trunk services.

The appendix also referred to the State Highway Bridge.

> As mentioned earlier, your assistance in ensuring completion of the new crossing of the Waikato River is requested and in addition, support for finance for the upgrading of the major routes from the development areas to and from the existing City.

Apart from the above, the appendix also dealt with the need for providing "appropriate sites for pensioner housing"; the need to design new schools for "extensive community use"; the provision of "an adequate range of social amenities ... at an early stage in development of the Corporation's land"; and the proper location of educational facilities. On the latter point it was observed:

> ...it is known that the Education Department has in fact acquired land for educational purposes. It may be as development proceeds that the sites pre-selected before the future urban development forms were defined, are unsatisfactory. The Corporation's assistance

> by way of exchange of land to facilitate such corrections is sought.

The submission concluded with the following comment: "Arrangements are sought along the lines mentioned earlier, for assured finance towards the costs of providing the necessary public services".

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Apparently the letter to the Minister of Housing encouraged him to re-consider his position regarding the Council's request for financial assistance. In his reply he repeated that it was "...not the Corporation's policy to make loan finance available to local authorities for public works, particularly where there are other sources available of loan finance", but went on to say:

> Nevertheless, in the case of the importance of this area to Hamilton and the extent of Housing Corporation involvement, it is prepared, at an appropriate time to discuss with the Hamilton City Council the carrying out of the work, and possibly making some financial assistance available .....

The City Council, it appeared, had managed to change the Minister's mind at least to the point where he was prepared to discuss the possibility of "making some financial assistance available". Certainly there was little hope of getting this assistance through the N.R.B. In the middle of June the Resident Engineer of the local office of the Ministry of Works and Development had written to the Council and explained:

> National Roads policy does allow for a 3:7 subsidy to be available for improvement to existing roads but the point I wish to make is that the allocation available may not be sufficient to meet the demands in the new areas after they come into the city.
>
> The only source of funds for this purpose on your Council's subsidised works programmes is minor works and the amounts put forward on the current programme are for 1976/77 - $79,810; and 1977/78 - $91,780 (N.R.B. share).

> Your Council's representative on the 2B District Roads Council has pointed out the need for additional funds for the development of the new areas but within the allocation available for your Council priority must be given to named works attracting a higher rate of subsidy such as Boundary Road bridge, Te Rapa-Frankton-Melville link etc.

The Minister of Works and Development, on the other hand, did not find it possible to meet the Council's request for assistance with stormwater disposal.

The Council had prepared a detailed submission on stormwater and forwarded it to relevant Ministers and other organisations in October 1975. Concerning "improved subsidies for stormwater drainage works in urban areas", the submission contained a number of supporting arguments which are of critical interest to this analysis as they reflect the quite sophisticated strategy that the Council had evolved to cope with the government. They also give a clear picture of the sorts of planning problems which the Council considered important and the type of policy it wished to implement to combat them. In particular, the submission referred to urban sprawl and industrial growth. Regarding the first, it was observed:

> The necessity for restraint of urban sprawl and the need therefore to plan for increased density of population and development in cities today, makes it imperative to provide adequate piped stormwater disposal systems to prevent flooding and consequential environmental and property damage problems.

Hamilton City was faced with an expenditure of sixteen million dollars if the density of population was to be increased to an average of 8-10 people per acre. It was noted that, "Unless a higher density of population can be achieved urban sprawl will be bound to continue and thousands of acres of good agricultural land will be lost to the Nation". Furthermore, "...the provision of urban services and public utilities will remain at a high cost level - both in money terms and use of materials - per dwelling unit or

per head of population". Reference was made to a recent publication of the New Zealand Institute of Economic Research (Inc.), 'Urban Development Costs: Residential Building; Land and Service', in which it was shown that savings, sometimes substantial ones, could be achieved in the provision of urban services if household densities were increased. These savings were "...a very sound reason why Government should provide subsidies for stormwater capital works in urban areas and thus encourage more economic development". Summarising the urban sprawl argument, the submission observed:

> What is needed is a new approach to the problem. Criteria used for rural development are not suitable for urban problems. Encouragement must be given to develop urban areas to optimum densities without sprawl and waste of good farm land. Housing land costs alone make it imperative to use all our existing urban areas to the highest practical extent before enlarging urban boundaries. Guidelines for subsidies for stormwater disposal suited to urban needs must be developed in consultation with Municipal Authorities. What is needed is a stormwater subsidy system similar to that operating at present for sewerage and water supply.

Regarding industrial development, the report noted:

> Government is encouraging the development of industry so as to assist in reducing imports and increase exports.
>
> At the present time, new industries are frequently being located on prime agricultural land on the outskirts of urban areas, with the consequential loss of agricultural production. It is seen, therefore, as essential that lower quality land in or adjacent to urban areas should be developed for industrial purposes, rather than good agricultural land. For this purpose, drainage subsidies are essential, especially as industrial land usually produces the highest rate of run-off from stormwater.
>
> There is, at the present time, something like 100 hectares of land zoned industrial where Council cannot permit subdivision for industrial development on account of lack of finance for stormwater problems. There are also many areas already subdivided, where building permits for

> industrial development will have to be declined because of stormwater drainage problems for which finance is not available.

On the basis of these arguments then the Council urged the Government to review its policy which had meant that "...past subsidies have rarely been available for urban works and then only when the problems have been caused by run-off from adjoining rural areas".

Thus, the City Council drew together, in a systematic fashion, the arguments which were most likely to have an impact on various Ministers. If the Government wished to reduce urban sprawl and at the same time increase the country's industrial capacity and housing stocks subsidies would have to be made available to urban centres. Presented in this fashion, the request could not be easily ignored. After all, it was a stated objective of Government to prevent further loss of viable agricultural land to residential and industrial development. But the Minister of Works and Development was not willing to grant assistance. Questioning the comparison that the Council had drawn between its current urban stormwater problems and the subsidies policies for flood control developed by the Soil Conservation and Rivers Control Council, he went on to observe:

> To be comparable then with the existing rurally dominated subsidy system, assistance from the Soil Council would need to treat problems arising with events of greater severity. This is in fact what the Council is now proposing to do in its revised subsidy policy which is under study by Government.
>
> If Government adopts this policy your Council will, I trust, gain some material assistance in dealing with the considerable problems it faces but it must still expect to provide for basic stormwater requirements through its own resources.

The Minister, it may be assumed, was not prepared to enter into an arrangement with Hamilton City which might be interpreted as a precedent by other urban authorities seeking similar assistance. For the moment he preferred to wait for

the policy review to be completed. Even so, he made it very plain that the Government would never undertake to subsidise all the City's stormwater requirements. But at some future date, there might be an opportunity for the City to avail itself of some assistance through a revised subsidy programme.

To the Council, this rather vague possibility was an unacceptable basis on which to approve development in areas of the City requiring stormwater drainage facilities. If it and other local authorities were expected to accommodate the Government in efforts to promote industrial development and house construction, then it was not unreasonable to expect, in turn, the Government to bear its fair share of associated servicing costs. Vague indications of possible future assistance were not good enough. What was required were specific assurances of financial assistance. Therefore, short of some major and immediate change in the Government's policy, the Council could be expected to continue declining approval for development proposals in areas of the City where stormwater difficulties were known to exist or would be created through development. The Councillors knew their position constituted a block to the Minister of Housing's objectives, but they also knew that, for the moment, they held the whip-hand in negotiations with the Government. In the words of the Deputy Mayor, it was an "appropriate" time to press the Government on certain matters. In confidence, City Councillors reminded one another of the fact that the Government's two Hamilton seats were decidedly marginal and there was reason to expect some attempt to secure these seats before the general election.

On balance, the Council's political position was reasonably secure. By refusing to approve building applications it certainly was not helping to ameliorate the housing shortage. The lack of State housing, combined with the shortage of low cost sections, might quickly lead to heavy public pressure for the boundary extension. However, the economic recession, while creating difficulties for the Council in obtaining further financial assistance from the Government, had, quite fortuitously, reduced demand for sections as mortgage money became increasingly difficult

to find. For the moment, the Council could feel relatively safe in taking a firm line. If there were to be any recriminations the Government would be the first target, not the Council.

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The climax of another, but very much related, set of occurrences may have caused the Minister of Housing to take a more conciliatory attitude towards the City Council's requests for financial assistance. These occurrences, which all concerned land acquisition, provide clear insight into the strategy which the Government was following to gain the initiative over development in the proposed new growth areas; a strategy which cast considerable doubt on the Government's preparedness to reach an accommodation with the Council on the planning and servicing of these areas and provided strong reason in itself for the preparation and submission of the "Heads of Agreement".

While the Council had continued to negotiate with the Government on a number of matters and to prepare the way, if slowly, for the boundary extension, it had also pressed on with its own land acquisition activities. As will be recalled, the Local Authorities Loans Board had sanctioned Property Acquisition Loan No. 2 in May 1974 for the sum of $691,000.00. Having completed negotiations with landowners, the Council was left with the job of raising the remaining $231,000.00 for the cash payments on the land. The Council applied to the National Provident Fund for a loan to this amount. It also requested a further loan in the sum of $44,200.00 on a 1974 supplementary acquisition loan. In August 1975, the Fund informed the Council that both applications had been declined for the following reasons: "...the Fund cannot maintain its high level of lending indefinitely and in view of backing arrangements already given to the Council's 1975/76 works programme, further support for the acquisition loans is not possible at this stage". However, a few days later the Public Trustee applied for $100,000.00 of Council's issue stocks. The Council quickly approved a

resolution to raise and borrow this sum as an issue of the Property Acquisition Loan No. 2, 1974. The following month it approved a further resolution to raise and borrow the remaining $131,000.00. This issue was taken up by the Waikato Savings Bank.

It was evident, by this time, that local authorities in general were now having to rely on the private loan market to support their requirements for so-called non-essential purposes, such as land acquisition. The N.P.F. had found it necessary because of declining funds to restrict its lending to essential services. This, not surprisingly, had a direct affect on the possibility of local authorities using the loans available through the Housing Corporation for subdivisional development. Without land to develop this loan facility was of little practical value. Of course, as far as the City Council was concerned, it was not a practical proposition anyway. It is also important to note that, while local authorities were forced onto the private market for loan subscriptions, the Government was not so handicapped and was continuing with its land purchases on a national scale. Fortunately for the Hamilton City Council, its stocks issues were taken up and the N.P.F's inability to support the property acquisition loans created, at most, temporary inconvenience. But far more disturbing developments were taking place elsewhere.

On August 22, 1975, at a meeting of the Hamilton Regional Planning Authority, the Chairman of the Waipa County Council drew attention to a recent announcement about a further Government land purchase. Involving a total of 242 acres, the land (known as the Peacocke property after its former owner) was located on the southern perimeter of the City within the Waipa County's boundaries. To the best of his knowledge, the Chairman said, no discussions had taken place on the proposed purchase and this suggested that "the Housing Corporation was rushing off and buying land without regard for the Regional Planning Authority". Considering the Authority

had established quite clear guidelines for the timing and direction of the City's future urban growth, he continued, it seemed reasonable to expect the Government to make some attempt to confer with it on matters related to urban expansion. In addition, he pointed out that he was "not concerned about the principle of land acquisition or that it is my County's land"; rather, he felt it to be an untimely expenditure and brought into question the seriousness with which the Authority's planning endeavours were being treated. "We are spending thousands of dollars on future planning and it is just a wast of time and money if the Corporation can do this". Since the land which had been acquired was not timed for inclusion in the City until the middle eighties at the earliest, he further argued, it would have been far more sensible to have allocated the money to small communities requiring housing assistance. He cited Te Awamutu and Te Kuiti as examples. Taking up the matter, the City Engineer informed the Authority that a few months earlier a senior officer of the Corporation had advised him of the intention to purchase land on the City's southern boundary. In turn he had "made it clear" to the Officer that such a purchase would not alter the Authority's urban expansion timetable. Having the last word, the Chairman, Hamilton's Mayor, expressed his agreement that, given the timetable and the widespread shortage of finance, the money could have been utilized for some more immediate purpose.

As the City Engineer's remarks indicated, the H.R.P.A's boundary extension timetable did not allow for expansion into the southern peripheral areas until some point well into the future. The H.R.P.A. had been preparing the way for a northward expansion and the City had taken steps in its works programme and planning preparations to accommodate growth in this direction. Although the exact boundaries of the extension had yet to be finalised, the Government's purchases in the Horsham Downs Area had confirmed, in principle, its acceptance of the Authority's timetable. There was to be no change now to accommodate the southern purchase.

The southern purchase had been made, the Housing Corporation explained, to take advantage of the reasonable land prices prevailing in the area. Since it was not proposed to initiate development in this direction for some years, land values had remained stable. As a consequence, the Corporation thought it wise to buy in early. The Corporation was anxious to purchase as much land as possible around the country before the general election. Under the previous National Government, the former Housing Division had watched its land holdings dwindle to virtually nothing. There was considerable interest within the Corporation, happily coinciding with the Government's objectives, to purchase as much land as possible in case the Labour Government was not returned to office. It seemed very unlikely, given past experience, that the land acquisition programme would be continued by a National administration. In the event, immediately after the 1975 election, the new National Government brought it to a complete halt. As one informant observed, the Corporation's importance in the housing field tends to "wax and wane" with the Government in power.

The Housing Corporation appeared to accept that the H.R.P.A.'s boundary extension timetable was not going to be altered to provide for an early inclusion of its southern purchase. This understanding was voiced by officials of both the Ministry of Works and Development and the Housing Corporation. The day after the August H.R.P.A. meeting, the New Zealand Herald reported:

> ...the Assistant Director-General of the Housing Corporation had said that the Corporation was aware that City Planners had not intended the area to be developed for housing until after 1986.
>
> The land, owned by Mr C.B. Peacocke, was bought to ensure that land was available for housing after 1986.(62)

Despite these assurances, City staff and local politicians remained troubled. It seemed reasonable to draw a

connection between the decision to withdraw from a large part of the original commitment in the Horsham Downs area and the recent southern purchase. It could be interpreted that due to the political and financial difficulties which had arisen in the former, the Government had decided to seek land for purchase in less sensitive areas. The question now was whether the Corporation would ignore the H.R.P.A's policies and push ahead with development to the south of the City. It seemed unreasonable to expect the land to be withheld from development for over ten years, particularly if the Corporation decided it was needed for housing. This fear was reinforced by a report, which reached the Mayor's ears, that an official of the Ministry of Works had been heard to say, somewhat aggresively, that no matter what the H.R.P.A. wanted there would be houses on the Peacocke property within five years. This comment came as really no surprise to those who had extensive dealings with certain sub-departments of the Ministry and the Housing Corporation. Many government departments and agencies, one experienced informant observed, tend to operate as "individual businesses" in their own right. This was particularly so for the Housing Corporation where, he observed, there was a tendency for officials to assess "success" in terms of the number of houses built in any given year and to view attempts made by communities to impose planning guidelines and servicing requirements on development as the "ridiculous demands of stupid local authorities". Such comments were quite representative of a widely held view of the Corporation and could be supported by examples where the Corporation had been less than co-operative with local authorities. For the Corporation, criticism of its activities often failed to take account of the difficulties it encountered in marrying-up the Government's housing objectives, the demands of local authorities, and its own limited resources. Such difficulties were now being experienced by the Corporation. Faced with the responsibility of increasing the country's stock of State and low-cost housing as quickly as possible at a time

when, despite increased Government votes, the Corporation's financial resources were being stretched to the limit, it was probably understandable that local authority "demands" should be viewed as "ridiculous".

Thus, public utterances from the Corporation's head office did little to allay the suspicions that branch officers had been instructed to secure the Corporation's interests even if this meant displeasing the local authorities concerned. That the Corporation had been involved, through the land purchasing arm of the Ministry of Works, in the purchase of land within the Waipa County's boundaries without fully informing the County Council or the H.R.P.A. just reinforced scepticism about the extent to which it could be trusted. The order to purchase the Peacocke property, it is interesting to note, had been issued from Wellington. Local Ministry of Work's planners had objected strongly to the decision, pointing out that development in this area was not planned for several years. But now that the Housing Division was part of the Housing Corporation (as a consequence of the Government's re-arrangement) it was difficult for these planners to exert much influence in such matters. Whether either or both of these aspects of the situation were known to the members of the H.R.P.A. could not be determined. What was evident was that awareness of the Government's push to increase the Country's stock of State and low-cost housing, combined with doubts about the Corporation's ability or willingness, under tight financial conditions, to attempt to co-operate with local authorities, exacerbated fears about what might happen in respect of the Peacocke property.

Significantly, the Peacocke purchase had not been entirely unwelcome in certain quarters. Hamilton's Mayor, one informant advised, saw some advantages in it for the City. Before the area could be developed a new trunk sewer would have to be provided and the cost of installing this service, as far as the Mayor was concerned, would be the Government's responsibility. Since the

expense of providing this service had been one of the main reasons for delaying development in this area it may be assumed that, if the Government agreed to cover the cost, the boundary extension could take place earlier provided some agreement could be reached within the H.R.P.A. Presumably until a Government commitment had been obtained the City would protect its position by making sure there were no changes to the H.R.P.A.'s timetable. This, however, did not remove the worry that the Corporation might decide to proceed with development using some method such as septic tanks, to overcome the sewerage problem.

One other benefit accruing to the City from the Peacocke purchase was a promise from the Minister of Housing that the City would be given the opportunity to purchase from the Corporation, on reasonable terms, fifty acres of its own choosing. In other words, the City would acquire - and what the Mayor was aiming for - a large acreage of land without any major servicing costs to itself. The H.R.P.A., presumably for diplomatic reasons, was not advised of the Minister's offer. The Waipa County, which along with the Waikato County, was anxious to protect as much agricultural land from urban encroachment for as long as possible and not lose proportionately more land than its neighbour would, it may be assumed, have been most displeased to learn of the agreement reached between the Mayor and the Minister. The Mayor's acceptance of the offer could have been perceived as tacit approval on the part of the City of the Peacocke purchase and as an indication of some willingness to accommodate earlier development in this area.

The Minister's promise came, according to informed sources, as a peace offering in response to the Mayor's fury over some other Government land acquisitions. Before examining the history of these, which will provide further insight into the strategy being followed by the Government and its departments on the City's boundaries,

it is important to reiterate that the Mayor's strategy to secure the City's interests with regard to planning policies and servicing costs in the proposed new residential areas had been to threaten to alter the boundary extension timetable should private developers and/or the Government prove to be recalcitrant in meeting the City's requirements. In addition, the City Council had attempted to gear its own land purchasing activities to "strategic areas" of land through which it hoped to exert considerable control over the provision of services and access to other properties. This would strengthen its hand at the bargaining table with private developers and the Government. The Council also wanted to build up a land bank which would allow it to have some influence in the property market and to enter into land exchanges with private developers. In sum, the Council wished to attain a similar degree of control over its own affairs as the Government was working towards at the National level; the major difference being that from the Council's standpoint the Government was as much a threat to the City's interests - if not more so - as were private developers.

Whatever suspicions may have existed about the Government's intention to the south of the City, another series of events involving a purchase of different land altogether had confirmed that the reassurances emanating from Government departments could not be taken at face value. In February, 1975, a local real estate firm had advised the Council that it had been instructed to sell three properties located in Stages A and B of the Rotokauri Growth Cell. All the properties were being farmed and because of their generally flat terrain were considered ideal for residential development. A representative of the real estate firm observed:

> I believe the properties are ideal for future development and sub-division because of location, proximity, contour and sun aspect. Furthermore with the shortage of residential land within the city boundaries I can see no reason why the local authority perhaps with Housing

> Corporation assistance can not purchase, sub-divide and sell at cost, sections on the open market in opposition to companies who tend to make large profits and create land inflation.

A similar letter of advice was also sent to the Ministry of Works and Development.

During the following months, the Council assessed its financial capacity to purchase the three properties and other areas. At the June Council meeting the Property Officer suggested his order of preference with respect to properties located in the Rotokauri Growth Cell. These were owned by Wharton Bros., Rathbone Bros., Mr Trafford and Mr Heckler. The Officer was authorised to negotiate for the Trafford and Heckler properties. Each property had been carefully examined with respect to cost and its strategic value. The "Trafford Property" was of particular interest to the Council. Not only could it be obtained at a price the City could afford but its location would also provide the Council with considerable control over the development of the rest of the growth cell. In other words, service lines had to pass through the "Trafford Property" which placed the Council, if necessary, in the position of being able to develop its own property while denying services to the rest of the cell. It could maintain its position of strength in negotiations with developers, including the Government, over such matters as planning objectives and cost sharing for the provision of services.

On June 24, 1975, the property officer was able to advise the Town Clerk that:

> The situation is stated now as being that the rock bottom price that Mr Trafford will accept is $4,500 per acre and this amounts to a purchase price of $213,581.25.
>
> No statement of rejection of the proposal that 75% of the purchase

price be met with Council stock (10 years at 6¼%) has been received; therefore it is considered to be acceptable.

By this time the Council's option over the land had been allowed to lapse but there was no apparent reason to believe the purchase would not be finalised shortly.

On June 26, Mr Trafford phoned the Property Officer and informed him he had just sold his property to a "cash buyer". He gave no further information other than he had been paid $4,500.00 per acre. The Officer immediately phoned the real estate firm which had offered the property to the City in the first place and had been acting for Mr Trafford in negotiations with the Council. This firm was not aware of the sale and could provide no information concerning who might have bought the property. Suspecting the Government might be involved, the Officer visited his counterpart in the Ministry of Works, the Land Purchasing Officer, who confirmed that his office had bought the property. It was the Ministry's intention, the City's representative was also advised, to purchase "practically all the land in the 'Cell'" which comprised Stage 1 of the development. The Land Purchasing Officer refused to consider an appeal for the Ministry to withdraw from the Trafford purchase. He also revealed that no contract had been signed with the owner and the Ministry "intended to try for an even lower price than negotiated at present", however, "it was made perfectly clear that Ministry of Works intended to have the land". In addition,"A query on the availability of land to Council brought the reply that the Housing Corporation is the land selling body and an application should be made in this direction".

During his conversation with the Ministry's representative, the City's Property Officer was informed that the Trafford purchase "...had been their intention for some time but no action had been taken as the Ministry of Works was awaiting Council's release on boundary

extensions". Significantly, it was also "...made... clear that the Ministry of Works did not want any other party with property that could influence them in developing in any other manner than that desired by the Housing Corporation". The Ministry had been directed "...to get on with the job of acquiring this land and this will be implemented with all speed".

As far as the "Heckler Property" was concerned the Property Officer was given an "understanding" that the Ministry did not intend to interfere with this Council purchase.

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As well as attempting to maintain pressure on the Government, the City Council had also undertaken a complete reassessment of the Capital Improvements Programme for 1976/77 and its five year programme for 1975/1980. At the August 1975 Council meeting, in what was regarded as an unprecedented move, the Mayor called for the deferment of a number of loan applications presented by the City Treasurer for approval. After the annual estimates meetings, during which loan priorities were determined, it was customary for the Council to treat applications to the Local Authorities Loans Board as merely mechanical matters. On this occasion, however, the Mayor drew his Council's attention to the "massive" financial commitment which the loans represented and suggested more time should be taken to consider the advisability of "pushing on" with certain schemes. In particular, he mentioned the second stage of the sewer scheme and the allocation for stormwater drainage. Angered by the fact that the Mayor had not bothered to discuss the deferment proposal with him before the meeting, the Deputy Mayor observed that he was "astonished at the way in which this matter has been brought up by the Mayor". Countering, the Mayor said: "You have a very aggressive tone to your voice", and reminded the Deputy of the "disagreement within Council" regarding expenditure priorities. Further, he explained, he was

only "testing" the situation and giving the rest of the Council the opportunity to "explore alternatives". Not satisfied, the Deputy pointed out that, as Chairman of the Works Committee, he should have been advised of any proposal which could affect the City's works programme. In return, the Mayor disclosed that he knew about his Deputy's afternoon conversation with the Town Clerk about the entire matter. The rather heated exchange came to a close with the Deputy still insisting on his right to prior consultation and the Mayor stating: "It's a question of whether the Council can absorb the demands emanating through your committee".

The exchange between the Council's two senior politicians provided some indication of their unwillingness to co-operate with one another over certain matters. Why the Mayor had not communicated with his Deputy before the meeting was not made clear. The excuse of his having been ill with the flu' for three days did not seem particularly convincing at the time. It appeared more likely that the lack of communication reflected continuing, but largely unarticulated, differences between them over fundamental issues related to the City's future growth and development. It could be inferred from his remarks during subsequent Council discussion that the Mayor was becoming increasingly worried about the way in which the Council was being encouraged by the Works Committee, which had the expert support of the City's engineers, to approve more loans each year for capital works. This was occurring after two substantial rate increases and the likelihood of another in 1976; and at a time when the Council was also trying to pressure the Government for more financial assistance. The Deputy Mayor was known to support early and rapid urban expansion and gave the impression of treating the 1975/80 works programme as a firm Council commitment. The Town Clerk was in the habit of calling it the Council's "wish list".

The majority of Councillors supported the idea of taking time to reconsider the works programme. The Town

Clerk had observed during the discussion that as there would be a slight delay in forwarding the applications to the Local Authority Loans Board in any case, a short deferment would not create difficulties. In addition the Mayor observed: "Indeed staff would welcome the opportunity to review the situation". This comment, plus the fact that there had been a lengthy conversation between the Deputy Mayor and the Town Clerk earlier in the day, suggested the Town Clerk's office might have been as concerned as the Mayor about the state of the City's finances. Only a few months earlier, it should be remembered, the Engineers Department had considerably overspent its budget allocation.

The Mayor, apparently, was determined to inject some sense of control and responsibility into the City's financial affairs. He had also observed that "some loan authorities anticipate a programme" while "others were approved because of the availability of finance". As he put it, the Council should decide "What is the sum total of loan commitment that the City can reasonably and responsibly assume".

Four of the thirteen loans submitted by the City Treasurer were deferred. They involved a $1,200,000 sewerage loan for constructing a new sewerage treatment station and connecting it to the existing reticulation system; an $800 ,000 streets loan for improving streets, constructing and laying footpaths and so on; a $2,000,000 stormwater loan for constructing and laying stormwater drains within the city; and a $2,000,000 waterworks loan for the cost of upgrading existing storage reservoirs, providing further booster pumps, extending the present reticulation system, bulk mains and other related matters.

As it turned out, and perhaps not surprisingly given the extent of the Council's commitment to the works, none of the four applications was changed. However, it was decided at the September Council Meeting that the 1976/77 capital improvements programme "...be framed so that as a planning objective the contribution from loan finance is

not more than $4 million and from revenue requires no more than 15 per cent increase in rates". This required the Council to eliminate one million dollars from the programme. Having agreed to defer low priority projects, a further $320,000 had to be found. This problem was deferred, along with the projects, presumably for the staff to solve. The second stage of the swimming pool project, it was also decided, should "...be financed preferably from sources other than loan or direct rate revenue and re-programmed accordingly and as a first priority for funds becoming available from the sales of land". This decision was vigorously opposed by the Chairman of the Recreation Committee but to no avail. As for the remainder of the 1975/80 capital improvements programme, it was agreed that the objectives set for 1976/77 should be adopted. In other words, a total of five million dollars was to be removed over a period of five years and rate increases were to be kept to no more than 15% each year. To achieve a further reduction of four million dollars over four years it was decided:

> The new Central Library, refuse and sewer treatment extension works, street works resulting from boundary extensions and traffic light co-ordination, be rescheduled, and
>
> Stormwater programming be considered in the light of the availability or otherwise of government subsidy.

Included among the other motions was the following which was aimed at ensuring there would be no slackness in implementing the revised programme:

> ...there is to be no authorisation of nor commitment to any project programmed to commence in the period, except in accordance with approved procedures, including revision as required by Capital Improvement Programming procedures or reconsideration where required by Council.

The effect of the Council's decisions was to make it unlikely that development within the Rotokauri Growth cell, which required a sewer interceptor, trunk watermain and

storm drainage works, would occur before 1980. In other words, having beaten the Council to the purchase of certain properties in this area, the Housing Corporation would have to wait some time before proceeding with house construction. But presumably its land holdings, in the Horsham Downs area, were sufficient to meet its needs during this period. Again the Council had made it very clear it was not going to burden unduly the City's ratepayers in an attempt to provide more land for residential development.

The Mayor's wish to inject a measure of control into the City's finances and to increase pressure on the Government for greater assistance, and his somewhat sudden suggestion of a works programme review had been prompted by the deteriorating financial circumstances of local authorities in general, and Hamilton City in particular. Since the Mayor's pointed questioning of the Minister of Local Government at the 1974 Municipal Association Conference, the Government had failed to introduce a new system of local body finance and in the past two years Hamilton City, as was the case for most local authorities, had found if necessary to increase rates substantially.

In October, 1974, the Superintendent of the National Provident Fund announced that given the difficulties experienced by most local authorities in securing loan finance for the 1974/75 year it was not expected that the maximum amount of public loan issues for local authorities would be raised.[63] The financial difficulties of local authorities, the Superintendent pointed out, could not be resolved through the approval of more loan issues. The maximum amount any one local authority could expect to have approved at this time was $1.6 million or four issues of $400 ,000 each. The allocation of issues provided no assurance that loan money was or would be made available. They were merely approvals to local authorities to float public issues with the N.P.F. should the issues not be supported by public subscription.

Shortly afterwards, the City Treasurer wrote to the

Superintendent of the N.P.F. observing that Hamilton City hoped to receive continuing support from the Fund for its works programme. The City, he observed, had not had much success in increasing the public subscription to loans and concluded: "It is of interest to note that of our 362 salaried employees, 190 are contributors to the Fund". Meanwhile, Council representatives were meeting with Fund officials and the Assistant Secretary to the Treasury to argue the case for financial assistance.

At the beginning of December the Superintendent of the N.P.F. was able to inform the Council that the Fund "...has agreed to provide financial backing to your Council's capital expenditure programme for 1975/76". The expenditure involved was estimated to be $6.315 million and assessed to require loan finance of $3.967 million. The Fund would give financial assistance over and above public loan subscriptions by way of direct loan placements provided the Council forwarded full cash flow forecasts. The Superintendent observed:

> The above assurance of support is subject to your Council's agreement to make every effort to obtain subscriptions, to its public loan issues and also its underwriters' continued endeavour to obtain the highest level of subunderwriting support to the loan issues.

Interestingly enough, public subscriptions were seldom large enough to do much more than cover the cost of advertising the issues, and sometimes failed to do even that. However, it was a process which the L.A.L.B. and the N.P.F. insisted upon.

In February, 1975, local authorities were advised that the Local Authority Loan Market Committee had adopted a programme of loan issues totalling over $110 million. The Committee had decided to adhere to its policy of providing a maximum of four issues of $400 ,000 each for any local authority. A circular explained:

> In adopting the programme the Committee

> took into account the fact that loan requirements of many local authorities now far exceed the $1.6 million limit set, but because of the overall increase in the need for loan finance and particularly the smaller local authorities, it was felt that the state of the market could not carry an increase beyond $1.6 million.
>
> After 1 April 1975, the effects of the New Zealand Superannuation Act 1974 will result in more finance being channelled toward the local authority sector. Initially this source of finance direct from institutions promoting and selling superannuation, or indirectly from the overall financial structure within the country, will not be as far reaching as some local authorities may expect. However, the loan finance that will be available must help ease the loan raising problems of many local authorities.[64]

Hamilton City was allocated four $400 ,000 loan issues each requiring separate sanction at specified later dates. In May the City's sharebrokers were able to inform the Council that the New Zealand Superannuation Corporation would be investing 10% of its contributions in Local Authority Loans. Eventually the Corporation would sub-underwrite loans in the National Provident Fund programme. In the meantime it would make "firm subscriptions to selected Local Authorities", with those authorities contributing to the Corporation receiving the "best support".

Reportedly as a result of hard negotiating by the Mayor, the Assistant Secretary to the Treasury and the N.P.F. agreed to increase the Fund's loan support to Hamilton from $3.967 million to $4.8 million. The additional $833,000 was approved to cover increasing costs associated with the Council's capital works programme.

At the end of July the Government, in an effort to assist local authorities to obtain more public subscriptions, increased the maximum rate of interest on local authority securities from 6.25 to 6.75 per cent. In August the Government announced it had "...established a Special Assistance Fund to provide financial assistance

to those authorities who can establish special need. Payments from this Fund will be approved by the Minister of Local Government on the recommendation of the Local Authorities Loans Board". Shortly afterwards, the N.P.F. announced it could not continue to maintain its high level of lending to local authorities and would proceed to accord priority to "urgent and essential works" such as sewerage, water, electricity reticulation and hospital works. It also pointed out that, since "...the Fund is dependent on continued support to the Local Authorities Investment Pool and superannuation contributions for its availability of moneys to lend to local authorities", it would give priority to loan requests from local authorities participating in the Investment Pool and the Fund's superannuation schemes".[65]

During 1975, the Local Authorities Loans Board had also formulated new policy regarding local authority works and loans, to be effective from April 1, 1976. The new policy required all authorities to submit details of current and projected financial programmes. Because of the slow response from many local authorities, the Superintendent of the National Provident fund notified them that, "If the returns are not received from a local authority there can be no guarantee that public loan issues can be allocated from 1 April 1976, or financial assistance made available through the new programming arrangements".[66]

Thus, after a further two years, local authorities were still waiting for the Government to introduce a new system of local body finance, preferably based on the 1973 report of the Committee on Local Authority Finance. Differential rating, alterations to public sector security ratios and interest rates, works programming, the "Special Fund", and the promise of additional assistance from the Superannuation Fund and Accident Compensation Fund were considered relatively minor adjustments to the existing system and did not amount to an independent new source of revenue to supplement rates. The 1975 Annual Conference

of the Municipal Association had called on the Government to "immediately implement" its 1974 request "...that as an additional source of revenue a percentage of income tax receipts be paid to local government as of right by way of annual grant". As this proved to be of no avail, the Association's executive, with the strong encouragement of Hamilton's Mayor, decided, in June 1975, to engage in "open battle" with the Government over the entire question of local body finance.[67] Up to that point, discussions with the Government had been pursued discreetly through delegations, joint meetings and so on. The "open battle" was to be an attempt to involve the general public in the demand for change and was to take the form of public meetings in various local authorities throughout the country, beginning with Auckland. The Association, the Mayor was reported as saying, had been "...forced into an open battle against central government for its own survival. Much more than the future of local government is in fact at stake".[68] And:

> We don't want more taxation. We want central government to disgorge part of the massive taxation it is already collecting.
>
> We want returned to local communities a comparatively small part of the taxation their citizens are already paying.[69]

At Council meetings the Mayor had repeatedly observed that the City and other local authorities were finding it impossible to cope with the general inflationary rise of costs. Even though rate increases had been approved, works programmes were remaining static or being cut. He said:

> The Government appears exasperatingly blind to the fact that in the major urban centres problems have become acute and are creating deep-felt rate-payers reaction.[70]

As well as being concerned about the financial

circumstances of local authorities, the Mayor expressed deep suspicion about the Government's recent moves towards works programming and the allocation of finance according to priorities set by the Local Authorities Loans Board and the provision of special assistance by the Minister of Local Government on the recommendations of the L.A.L.B. This is what he meant when he referred to more being "at stake" than just the financial survival of local authorities. In his view, the Government's actions were a clear threat to the continuation of the country's "democratic" way of life.

> What we are in fact witnessing are the actions of a Government afraid to openly proclaim its obsession with centralism but determined nevertheless by stealth and declarations of high purpose to undermine and destroy each and every institution that stands in its way.[71]

The "open battle", which it may be argued was timed to cause sufficient embarrassment shortly before the general election to force the Government to adopt a new system of local body finance, did not develop. There was little public interest. Furthermore, the campaign quickly became enmeshed in national party politics and more parochial local authority considerations. An attempt in July to get the Auckland City Council to distribute with the City's rate demands a leaflet that outlined the Association's case for a new source of local authority finance failed. An Auckland City Councillor, Mrs C.A. Tizard, who was also the wife of the Minister of Finance, described the leaflet as "absolute rubbish" and "at best a pious hope and at worst a dishonest and deliberately misleading statement".[72] Her opposition to circulation was supported by other Councillors who felt the leaflet was "silly" and "very badly presented".[73] How much the Council's opposition was based on a mixture of national party affiliations, feelings that the City could gain little, and possibly lose if the proposals were adopted, and the opinion that the proposals did not represent an answer to the financial problems of local authorities, has not been determined. However, for Hamilton's Mayor

The Auckland Council's attitude was reprehensible.

> It's easy for Auckland to talk this sort of emotive, circuitous clap-trap, but the Association has acknowledged the existence of a serious problem.
>
> If redistribution of taxation is not the answer, what is? Nobody has come up with the answer to that.[74]

His views, the Mayor also made it clear, were not being motivated by party allegiance.

> The two parties have got to state a policy that means something. So far all we've had is continual prevarication and evasion.[75]

So the future of the "open battle" may have influenced the Mayor's decision to seek a review of the City's works programme. It should be noted too that by the August Council meeting the Mayor had declared his intention to seek the National Party candidacy for the Hamilton West electorate and this may also have been a factor in his decision.

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In a letter dated October 31, 1975, formal application was made to the Local Government Commission for the boundary extension. While it had not been possible to meet the original timetable, the three members of the H.R.P.A. explained they were still anxious to have the adjustment gazetted on April 1, 1976, if this were possible. In the letter the Hamilton City Council also noted:

> The Hamilton City Council is at present involved in discussions with the Ministry of Works and Development and the Housing Corporation, concerning the Ministry's motorway proposals on the eastern side of the City and the Corporation's development proposals in a number of the areas to be included in the City. As

> the outcome is crucial to the financing of the services required by the proposed adjustment, the City Council wishes it to be understood that it may be necessary to make some slight adjustments to the proposed boundary prior to final approval, particularly adjacent to the motorway proposal.

The actual decision to proceed with a formal application was taken at an informal get together of the Mayor, Councillor Heather and the Town Clerk. The question arose during light conversation. Councillor Heather argued that the application should be sent as quickly as possible, while the Mayor took the line that there were still good political reasons for delaying it. Apparently Councillor Heather's case prevailed, for the Town Clerk sent the application shortly after the discussion had taken place. The decision, taken in this manner, did not involve formal Council discussion. Strictly speaking, this was quite in order because of the resolution which had been passed after the report from the Joint Staff Committee on the proposed boundary adjustment had been submitted to the Council at its June meeting. It will be recalled the resolution stated that "...the proposals as outlined be proceeded with on the basis that development will not be commenced until the necessary financial arrangements have been completed and approved by the Council". In effect, the proposals permitted an application to be sent after the necessary steps had been taken and therefore there was no need to bring the actual application up for Council decision. Importantly, assurances with respect to finance were not required before the application was to be made, only before actual development would be allowed to proceed. What is interesting, however, is the fact that the Mayor even raised the question of whether or not the application should be sent to the Local Government Commission at the time. Given the actual wording of the resolution and the Mayor's powers of interpretation it would not have been either inconceivable, or uncharacteristic, for him to have placed the application in cold storage and later justified his action on the basis that the Council was still waiting

for assurances from the Government. Certain Councillors, particularly Councillor Page, would have endorsed such an interpretation of the resolution and may have understood this to be its intent in any case. But Councillor Heather was likely to be a source of difficulty and it may be assumed that, had the application not been sent, this Councillor would have raised questions at a Council meeting. Presumably the informal manner of raising the issue was the Mayor's way of finding out whether Councillor Heather was still anxious to proceed with the application as quickly as possible or whether he would be prepared to agree to a further delay, even though this could have been interpreted as being a contravention of existing Council policy.

As the letter indicates, the Council was not satisfied it had reached a satisfactory agreement with the Government over the matter under negotiation for two years. Although the application now permitted the L.G.C. to proceed with the initial stage of processing the boundary extension, it did not herald the end of debate over whether or not the City Council should ask the L.G.C. to do this work in time for the April 1, 1976 deadline. In fact, it precipitated a further round of argument within the Council. Part of the problem stemmed from the ambiguous wording of the letter of application itself. Some Councillors, including Councillor Page, maintained that Council's policy stipulated that it would not seek final approval for the extension until such time as all the financial considerations associated with proposed new development had been adequately clarified with the Government. The letter to the L.G.C. did not make specific reference to this policy position.

At the November 1975 City Council meeting, the question of proceeding with the boundary extension was raised once again. Further discussion was sparked off by the City Planner's monthly report to the Management Committee. He advised the Council that letters had been sent to the Minister of Housing and Works and Development concerning financial and other matters related to proposed residential development in "New City Areas", and "Action has also been

taken on the matter of a 'buffer zone' between the Dulverton Growth Cell and the Rototuna/Taupiri Link". The report observed:

> On the basis that adequate safeguards remain regarding the above matters an application for the proposed Boundary Adjustment has now been submitted to the Local Government Commission.

The Council, Councillor Page suggested, might reconsider the wisdom of asking the Local Government Commission to promulgate a provisional scheme for the extension. It was imperative, he felt, to get some assurances from the "powers that be" in respect of the State Highway Bridge, the provision of buffer zones, and the allocation of finance for servicing new development before the extension was ratified. Referring to the 1962 boundary extension, he observed "We don't want to be in the position of fifteen years ago, we are still in the process of servicing some of those areas". He noted the Council "was quite determined that all development be paid for by developers". Given this, Councillor Page expressed the opinion that, "It would be more prudent for us to retain our bargaining power" by withdrawing the application for a boundary extension. To bolster his argument, he noted that the land situation in the City was not as desperate as it had been two years before when the Council was faced with an imminent shortage of subdividable land. Since that time there had been "a downturn in land speculation" and some redevelopment of the central city area.

Responding to Councillor Page's remarks the Mayor noted that insofar as the buffer zones were concerned the Council could retain a strong negotiating position through its zoning powers and its control over the exact lines of the boundary adjustment. With regard to servicing finance, he observed that the provision of major services was a "key element" in the boundary extension and it would be "foolish for the Housing Corporation or anyone else to contemplate development without extension

of these services". On the question of the bridge he advised the Council that the National Roads Board had agreed that the design stage be proceeded with. Councillor Heather, supporting the Mayor's observations, noted that the Council staff had met with Housing Corporation officers and a high level of co-operation had prevailed in their discussions of the buffer zone provisions. Also, the District Roads Council, on which he represented the Hamilton City Council, had unanimously agreed that the N.R.B. be requested to make a special allocation of funds for the bridge. Dealing with the question of redevelopment,he explained that one stormwater drain had just been completed in a high density area and "we cannot shuffle our funds any further without sacrificing the industrial areas".

Taking up Councillor Heather's last point the Mayor explained that,although proposed amendments to the Council's planning ordinances would make more redevelopment possible, "it hasn't got control over how quickly it occurs, this is in the hands of developers". Redevelopment, therefore, could not be depended upon for ameliorating the land shortage. In addition, more redevelopment depended on the Council's capacity to provide essential services, such as stormwater. Finally he noted that the Council "can't cut off alternatives of how people want to live". The Council had a responsibility to ensure some choice in housing and recognize that not everyone wished to reside in high density housing areas.

Councillor Page reacted to the Mayor's remarks by observing he did not believe that "holding back" on the boundary extension would have the consequence of restricting people's housing alternatives. But, he noted, it was far more important for the Council to recognise "that once extension has taken place there will be a demand for services" and the Council might find itself having to cope with a very costly situation unless certain assurances had been obtained from the Government regarding financial assistance.

Other Councillors expressed their concern about the capacity of the public transport system to service the new areas and pointed to the sorry state of group housing ventures and flat development within the existing City boundaries. Councillor Gilchrist stated to his knowledge "only one innovative block of flats had been built in the city during the past fifteen years".

Design matters, the Mayor explained, could be controlled in the new areas through the District Scheme which would contain flexible ordinances to encourage a variety of designs. The City Planner agreed, noting that the comprehensive planning for each area would permit a variety of housing types and that the District Scheme would provide the Council with the instrument of control. Councillor Mills, in support, explained building costs had escalated to the point where builders were exploiting new designs and ideas for better land utilisation. Councillor Evans expressed the pessimistic view that "any area brought into the urban area is doomed to urban sprawl". She drew attention to research carried out in Auckland which showed that redevelopment inside an existing urban area was 10% less costly to a local authority than the servicing of new areas. Thus if the Government provided local authorities with an alternative source of revenue, the services required for redevelopment and higher density housing could be provided.

Preparations for urban renewal projects, the Mayor observed, were under way but finance continued to be a major inhibiting factor. The City and the Government were forced to "talk about urban renewal in the context of national economic exigencies". While the City had the statutory power to prepare the way for urban renewal the actual feasibility of plans depended on finance. There was no difficulty in producing an acceptable scheme from a planning point of view but implementation depended on making it financially acceptable to the Government. Everything hinged upon getting the Government's financial support. He also noted that a great deal more could be

done to ease the section shortage if some solution were provided for the City's stormwater disposal problems. As it was, Council was continuing to find it necessary to decline approval for some subdivision applications.

During the discussion Councillor Mills, who in his private capacity was manager for Appollo Prestige Homes, pointed to the Housing Corporation's role as the country's principal mortgage lender and those who wished to qualify for Government assistance had to find sections in the $6,000.00 range. His company, which comprised fifty-five independent builders, had only four sections in this range left. Significantly, he noted the situation might not be "so serious from a regional perspective". Builders, including those in his company, had been constructing more houses, in recent months, in the communities of Huntly, Ngaruawahia, Cambridge and Te Awamutu. However, even in these communities certain difficulties were arising such as the capacity of one of them to provide sewer services. Overall he felt the Council should pass the resolution, given the City had adequate safeguards to protect its policies. Perhaps not surprisingly, Councillor Heather was quick to take up his colleague's point: "I am absolutely astounded by Councillor Mills' revelation". He said that both he and former Councillor Jansen had pointed out three years before that young couples "would be squeezed if we didn't get a move on". The inference of Councillor Mills' remarks was that they were being forced to live in the regional communities. Given the size of the City's younger population this could not continue much longer.

During the course of the Council discussion, the Mayor had conferred with the Town Clerk over the question of whether or not the Council could withdraw its application. The Mayor advised the Council that withdrawal was not possible. This did not prevent Councillor Page from moving an amendment to what was in fact a motion to receive the City Planner's monthly report. The amendment was that "...firm assurances be sought for satisfactory financial provisions before any change of zoning following the

proposed extension". In other words, if Council had, as in the opinion of Councillor Page, given up its first line of defence then he wanted the next one, its zoning powers, to be implemented immediately in the form of Council policy. The Mayor noted the amendment did not prevent the processing of the boundary extension and "no one would disagree that we don't have to exert controls over new development". The amendment passed.

Some time after the November Council meeting Councillor Page began to reflect on the advice which had been given to the Council concerning the possibility of withdrawing the boundary extension application and came to the conclusion it was "a lot of rot". To check, he telephoned the City Solicitor who confirmed that the Council could withdraw its application if it wished to. Having obtained legal confirmation,he telephoned the two County Chairmen to see if "they would be displeased if the application was withdrawn". Their answer was simply that they would be "very pleased" if this were done. But by the time Councillor Page had got these matters sorted out,a somewhat surprising action had been taken by the Mayor.

Shortly after the Council meeting,the Mayor had discussions with the Town Clerk about the boundary extension. Exactly what transpired is not clear but the result was a telephone call to the Local Government Commission requesting delay in the processing of the boundary extension until such time that it received further advice from the City. This action was taken without the approval of the City Council which understood that because an application to extend the boundary had been authorised the Local Government Commission would be taking steps to process it. For some reason, which was never made clear, the Mayor had decided, quite unilaterally, to return the Council to its first line of defence. When Councillor Page finally heard about what had been done he did not object because it "suited me". It appeared to take Councillor Heather somewhat longer to discover what had happened, although one informant explained there was every reason

to suppose that the Councillor had full knowledge of the Mayor's action quite soon after it had been taken. The Council as a whole had to wait until the following February to be advised in a more or less formal fashion of the "understanding" which had been reached with the L.G.C.

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To understand more clearly this stage of the history of the boundary extension it is appropriate to make a brief reference to the role of the City Planner in the decision-making process and the sorts of problems he was having to cope with in preparing the way for properly planned new residential areas.

For the City Planner successful planning depended on, and was reflected in, a great deal more than zoning regulations. While zoning could be used on occasion as a political tactic - a second line of defence after the boundary extension - it should be considered, he argued, "a last resort" as a planning instrument. From time to time he tried, in a diplomatic way, to remind the Council it should not lose sight of the fact that zoning could not provide the planning framework for the type of development it wanted in the new residential areas. Zoning could only provide assurance of a "minimal level" of development. The possibility of achieving more depended on co-operation between the City, the Government, and local branch offices of government departments. It was apparent the City Planner was afraid that the Council would, in its anxiety to maintain a strong negotiating position, perhaps unconsciously, begin to attach importance to zoning as a planning instrument or to see it as an end in itself. He was also concerned that the Council's use of the boundary extension and zoning as threats would so antagonise the local branch of the Housing Corporation that it would refuse to continue in the co-operative planning exercise upon which creative development depended. The evidence suggests that he tried very hard to convey to Corporation officials that he did not agree with the use of threats without, at the

same time, appearing to be critical of his Council. His position was an extremely difficult one requiring a great deal of discretion. Just how difficult was illustrated at one point when Corporation officials suspected the Council was acting on his advice. The result was a brief break in relations until a rather elaborate peacemaking exercise had been carried out.

That the City Planner was optimistic about what could be achieved through co-operation seemed to be based on his observation of past State housing developments which provided evidence of the former Housing Division's capacity for creative planning and development. His view was that this capacity still existed - now within the Housing Corporation - and could be tapped if the right approach were taken. For this reason he disapproved of the Council's use of a form of "blackmail" to achieve its objectives. It was more sensible to process the boundary extension and zoning changes and thus create a climate for co-operation. Continuous delays were more likely to produce further difficulties than be of any real assistance. If things went badly then zoning controls could be enforced. However, he had to admit that the Corporation's willingness to co-operate may have been encouraged by the Council's threats and delaying tactics. The co-operation which had been achieved, he also acknowledged, amounted to little more than regular monthly meetings but argued that so long as these meetings were taking place there was at least a possibility of something tangible emerging. Furthermore, in his opinion, the meetings represented a major advance in the relations between the Corporation and the City. Such regular consultation had not occurred in the past. For this reason the City had to be a little patient as Corporation and other Government departments became accustomed to the new situation.

During discussion the City Planner observed that the Corporation was not obliged to co-operate with the City in the preparation of development proposals and could stop

consultation and go its own way at any time. In addition, unless matters were carefully handled the Corporation might attempt to reach an accommodation with the Waikato County Council. There was always a possibility of the Corporation reaching a mutually satisfactory agreement with the local authority and risk the political consequences.

The City Planner had invited the Corporation to submit a development plan for the Horsham Downs (Dulverton) area rather than attempt to impose a plan which might not have been accepted. In one light this could be considered an invitation to the Corporation to "hang themselves". But it was also an attempt to place the Corporation staff in the position of feeling it necessary to justify their proposals. Since they had an appreciation of what the City wanted there was an onus on them to prepare some explanation for any departure from the principles laid out in the H.A.S. and the Comprehensive Plan. The City Planner explained in private that he intended to raise questions in areas where there was a departure but would keep his "mind open" and not insist upon complete conformity. There was always the chance that some answers from the Corporation would prove to be "tenable" and provide room not only for compromise but include the incorporation of innovative ideas not thought of in the preparation of the planning documents.

In cases where fundamental disagreement arose the regular monthly meetings would provide the City with the opportunity to exert some gentle persuasion. If this failed then perhaps more direct political action would have to be considered. It was important, the City Planner observed, to maintain a high degree of flexibility not only for political reasons but for planning reasons as well. If planning of future residential development were to be a constructive and innovative exercise then account had to be taken of the dynamic nature of the environment within which it was being carried out. A rigid zoning approach would not allow the planners to

make best use of new expertise and ideas and to accommodate changing circumstances. Once the development plan had been approved by the Corporation and the City it would be incorporated into the new District Scheme and become, in essence, its zoning plan. The difference would be that, with any luck, this zoning plan would be a much better planning instrument than those usually prepared by local authorities. It would have the added advantage of being acceptable to the Corporation. If the City took a different route and attempted to impose a development plan which required more than the normal zoning requirements, the Corporation, (having not) been instrumental in its preparation, might object to it and not be prepared to negotiate. The City Council would then find itself having to watch development based on the minimal requirements of the "Town and Country Planning Act".

For the City Planner the planning process was further complicated by the fact that he was not always sure what considerations motivated City Councillors to recommend and support certain kinds of political action. There was reason for him to suspect that a few Councillors were not really worried about planning matters per se but attached more importance to furthering other ends such as obtaining greater financial assistance from the Government. These Councillors might use temporary problems in the planning exercise as part of their strategy to make life difficult for the Government. For this reason the City Planner became very circumspect about the sort of information he imparted to individual Councillors and what he included in his monthly reports to the Council. In the latter, he tended only to provide the minimum amount of information which the Council could expect to get. For example, when the Corporation submitted its first development proposals he advised Council of their existence and that they were being circulated through other Departments but did not attach copies for the Council's consideration. While Councillors could examine them at any time, he was not going to encourage their interest. Certainly the first proposals were a very preliminary effort and amounted to a bit of "kite flying". If they had wanted to,

Councillors could have taken them as a further indication of the Government's unwillingness to co-operate with the City and an additional justification for a hard line on the boundary extension. Such a move would have the potential of making further negotiation with local Corporation officials difficult.

Observation suggests the City Planner was reasonably confident of the Mayor's sensitivity about such matters and that he could be relied upon to temper the arguments of hardliners with carefully worded letters and resolutions which were unlikely to result in a great deal of tension between local Corporation officials and staff. More often than not, the City Planner was asked for advice on such matters and he could usually prevent any precipitous moves. It was clear at the November Council meeting that Councillor Heather had taken up the argument of co-operation, much to the City Planner's approval. However, it was never clear whether the Councillor actually believed that co-operation was achieving anything tangible or whether he was using the argument to convince fellow Councillors to support his objective of a speedy boundary extension.

While the City Planner wanted the planning of the Dulverton area carried out in a co-operative fashion, he was aware that Councillors had a responsibility to consider the financial implications of future residential development. That the City Planner could understand this and yet still agree that co-operation rather than pressure was the best approach to the extension left some Councillors with the impression he was being a little naive. The fact that the City Planner was well aware of the sort of State housing development which had occurred on the City's perimeter during the 1950's before the 1962 boundary extension, did suggest he was being a little optomistic. Indeed, the best example he could point to of the former Housing Division's capacity for innovative development was a subdivision which had been completed shortly after the Second World War. The economic difficulties of the 1950's had resulted in generally much poorer State housing development. Since the country was again experiencing

an economic recession, it was realistic for Councillors to believe that the Government, given the opportunity, would engage in similar substandard work and leave the City once more with the responsibility of having to sort out the mess at some later date. However, it would be fair to say the City Planner was not always kept abreast of the communication which was taking place between local and Government politicians and did not have access to all the information being routed through the Mayor's office. Inside knowledge was quite likely to lead some politicians to take a very skeptical view of the willingness of the Government and its departments to co-operate with the City. On the other hand it was considered important to promote the consultation occurring at the staff level. This had to be done without taking those decisions which might weaken the City's negotiating position.

All in all, the situation was extremely complex, with individuals at all levels taking a variety of political positions and for a variety of motives. Out of it came a workable political strategy involving hardliners, those committed to co-operation, and those really not aware of what was going on. The Mayor tended to stand apart orchestrating the whole thing, applying and easing pressure at key points and as circumstances dictated. But, as will become clear, his decision to enter national politics was to add another dimension to the situation and his eventual resignation as Mayor was to lead to a somewhat different approach being taken to the boundary extension.

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As the country's economic situation worsened it became evident that Councillor Heather and some of his colleagues on Council saw an early boundary extension as a means of placing the City in a position to obtain as much financial assistance from the Government as possible. The hardliners, however, felt that the recession provided a good reason for delaying the extension and that any short term financial advantage would be far outweighed by long term costs

resulting from an extension before the Government had come through with certain financial assurances. In their opinion it was wiser to retain the boundary extension as a negotiating weapon for the time when the economy was on the upswing again. But as economic difficulties increased, it became more likely that the Government would decide to push ahead with the Dulverton development without waiting for planning approval from the H.R.P.A. Such action could be justified as a determined effort on the part of the Government to ameliorate a critical housing shortage at a time when neither the country as a whole nor the people wanting homes could afford to pay the costs associated with local authority subdivision standards or to wait any longer for local authorities to set aside their "red tape" requirements.

It should be noted that, by this point in the history of the boundary extension, the Mayor was engrossed in his campaign as a National Party candidate in Hamilton West. This political challenge caused him to give greater emphasis to, and really revive, another of his concerns i.e. the need for national development policy. He drew attention to the rapid growth of Hamilton City and queried whether the City should be allowed to expand indefinitely. From this perspective he pointed out that by delaying the boundary extension the City Council had created the environment for the growth of other communities in the region. Whether he was now arguing that the Council should give up the boundary extension, or merely delay it further was not too clear. But what was clear was his view that the question of additional boundary extensions had to be more carefully considered and Government had an important role to play. In the Mayor's opinion, it was imperative for the Government to formulate a national development policy which would make it possible for urban authorities to make rational choices about their futures rather than to engage in the rather passive exercise of taking steps to cope with uncontrolled growth. Speaking with reference to regional growth in the Waikato, the Mayor was to say after he had resigned from his office:

"Well one thing can be said, I stalled the boundary extension as long as possible". In a sense, the Mayor had redefined the central issue of the boundary extension in terms of his new role as a national politician but he would continue to work strongly on behalf of the City in Wellington.

During this time it was evident that the Mayor was attempting to establish for himself a particular area of recognisable interest and expertise. After he won Hamilton West and his Party became the Government again his statements and activities left little doubt that he hoped to be assigned responsibilities in the areas of regional development and national development policy formulation. By the middle of 1976 it had become clear that he was going to have to wait some time before being officially assigned work in these areas by his Party.

The Mayor's campaign activities did have a direct effect on the City Council's boundary extension activities. Along with submissions to various Ministers during the latter part of 1975, the Council requested a meeting to discuss the important policy aspects of the extension. Since there was no immediate response to this request senior City staff communicated with Wellington to determine whether the Ministers were prepared to meet with a Council delegation.

As soon as the Ministers' offices became aware that the Mayor was to be a member of the delegation the replies became very evasive - the Minister could not be contacted, the Minister was giving thought to the matter, and so on. The Ministers, it was apparent, had no intention of meeting a strong National Party candidate, even if he was the Mayor of Hamilton, to discuss delicate political issues in the middle of a general election.

The discussion at the November Council meeting did not resolve the boundary extension issue. Further debate took place at the first Council meeting in 1976 (February). This time it was provoked by a report from the National

Roads Board concerning its forecast on estimated "Primary allocations" for the period 1976/77. The Works Committee, which was chaired by Councillor Heather, reacted to the report by recommending the following resolutions to the Council:

> The National Roads Board be advised, that the boundary extension proposals for Hamilton City are with the Local Government Commission but cannot be processed until the City is guaranteed funds to maintain and develop new areas.
>
> The Council notes with concern that maintenance funds for new areas must come out of normal maintenance items and that no commitment has been made by the National Roads Board in respect of funds for the Te Rapa State Highway Bridge...

So, in this somewhat indirect way, the Council was advised of the decision to delay the processing of the extension application. The fact that, in addition to being the Chairman of the Works committee, Councillor Heather was also the Council's representative on the 2B District Roads Council and a member of the committee supervising work on the Rototuna-Taupiri State Highway 2 link suggests he not only knew of the Mayor's request for delay but also approved of it. Certainly it was neatly incorporated into the above resolution. This information becomes important to an analysis of events which were to develop one month later. It may be speculated that, since the Mayor was a member of the N.R.B., his knowledge of what the "primary allocations" were likely to be had been the reason for his decision to harden the Council's position on the boundary extension.

During discussion of the Works Committee resolutions, Councillor Page took the opportunity to refer to his suggestion of the previous meeting that the processing of the extension be deferred. At that time, he pointed out, there had been three important matters for consideration, "now we have a fourth matter, maintenance costs". Given

the fact that the economic situation had worsened in recent months and the urgency of the section supply situation had diminished as a result, he suggested the Council should act "positively" by deferring the boundary extension for a period of twelve months. He indicated his interest in proposing an amendment to this effect. The Mayor pointed out to him that the Council had already passed a resolution on the boundary extension application and the amendment really required a Notice of Motion. The Mayor also observed the application included a statement concerning the desire of the Council to have assurances regarding certain matters before the extension was processed. At this point the City Planner, having been asked to give his opinion, referred to the covering letter which had gone with the application. This letter, as he understood it - he actually had not seen it - asked the Commission not to promulgate the extension until the Council's "concerns had been resolved". The Town Clerk added further clarification by observing the Council had asked the Commission not to process the extension because "we thought we were likely to get some answers". It was understood by the Commission that "we would advise them" and he noted: "We haven't done this as answers haven't been forthcoming. The extension is being held up on an understanding at the moment". The Mayor immediately suggested the Council should "write a further letter spelling out the situation". Not wishing to miss an opportunity to draw attention to his grasp of the situation, Councillor Page observed: "When I asked for this in November we were told there was no chance of staying proceedings". Attempting to get around this statement, the Mayor explained the Council had two lines of defence: the first was not to process the extension and the second was to use the Council's zoning powers. In his opinion, "Even if the extension is promulgated we can maintain control through zoning". While this comment really did not help to clarify the situation, it did convey the impression that the Mayor was attempting not only to get around a somewhat embarrassing situation but, also, and more importantly, to retain

the Council's negotiating position. Councillor Page's suggestion of a twelve month delay would have the effect of bringing negotiations to a standstill and perhaps encouraging the Government to consider more seriously other ways of getting their development proposals off the ground. It was better politically to retain the application as a negotiating point.

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During the next few weeks the Council had two wide-ranging discussions about the boundary extension: one at its March 1976 meeting and the other at a Special Council Meeting called by the Deputy Mayor. These meetings were significant as they represented the first time that many Councillors had been invited to participate in discussions which afforded them the opportunity to examine the entire question of the boundary extension within the context of a variety of related issues and decisions, all pertinent to the exercise of planning the shape of the City's future.

The February 1976 Council meeting was the last one for the Mayor. Councillor Heather who, as Deputy Mayor, was now responsible for carrying out mayoralty duties until the new Mayor was elected by public vote was, as one observer put it, "out of the harness". He wasted no time. By the March meeting he had informed all Councillors of his intention to raise the question of the boundary extension once again. It was to be discussed under ordinary general business. That he managed, with the co-operation of the Council, to deal with the entire agenda in less than an hour may be taken as an indication of the interest which had developed in what he was going to propose.

The Deputy Mayor introduced his recommendations by reading from a prepared statement in which he summarized a few of the more important steps the City and the two neighbouring Counties had to take to lay the basis for the "controlled growth" of Hamilton. He also noted that, "The question of <u>how fast</u> Hamilton should grow and to what <u>ultimate size</u>, is presently occupying the time of staff

preparing Section II of the Hamilton Regional Plan". (emphasis in original). Significantly, he added:

> Suffice to say at this stage that the Hamilton Regional Planning Authority accepts comments on urban growth and expansion made at the Physical Environment Conference in 1970 which inter alia were:-
>
> 'If policies of decentralisation are applied in order to deviate industry and population expansion away from main centres, it is held that this will do no more than marginally affect the rate at which these centres will continue to grow'.

He asserted:

> In other words, growth of Hamilton is here to stay - we can only control the type of development and the rate - we cannot stop it.

Presumably the reference to what had been said at the Physical Environment Conference was an attempt to provide some authoritative justification for what the Deputy Mayor interpreted to be the Council's position regarding future growth. His statement also included a summary of all past Council resolutions pertaining to the boundary extension.

In the introduction to his recommendations, the Deputy Mayor noted that the Council would soon be involved in considering the Estimates for 1976/77 and revising the five year Capital Works Programme. These exercises, he argued, would not be easy and would demand more careful attention than in previous years because of New Zealand's depressed economy. Loan finance, in particular, would be difficult to obtain. Continuing, he reminded the Council that the object of the September review of the City's financial situation had been "...to smooth out the Capital Works Programme and so keep rate increases to a minimum and as even as possible and also to keep the loan requirement at an even level". He then explained: "One

of the present difficulties facing staff in reviewing the five year Capital Works Programme is the uncertainty concerning the date of the boundary extension". In other words, the continuing confusion surrounding the extension date was making it very difficult to introduce some order into the City's financial planning. The Deputy Mayor, it may be interpreted, was hoping that this situation would convince Councillor Page and others who saw strategic value in using the extension as a means of securing the City's financial interests to re-consider their positions in the light of consequences that further delay would have for the Council's ability to "protect the interests of ratepayers".

In his preamble, the Deputy Mayor commented:

> Council has resolved that subdividers will pay a major portion of the cost of developing the new areas, but has accepted the fact that Council will have to act as Banker until levies come in from developers.
>
> Because of this, Council has requested that the Local Government Commission delay processing the boundary extension documents until Council has received an assurance from Government that finance for development of essential services will be available.

The Deputy Mayor was not at all optimistic about the possibility of getting a commitment from the Government in the immediate future.

> In the current economic climate, it is likely to be some months before Government can give Council the assurance it seeks and then it is likely to be for a period of only 12 to 24 months.

Up to that point, he observed, "...only the National Roads Board has given an assurance of funds and this only for maintenance purposes and not for the upgrading of sub-standard County roads". Supplementary requests to the

National Roads Board for upgrading roads had not received consideration.

The Deputy Mayor was attempting to convince the Council of the futility of attempting to get financial assurances from the central government by delaying the extension; and, it may be interpreted, of the wisdom of making preparations to take advantage of easier money conditions once the country's economy began to improve. Once the boundary extension was processed requests for assistance might be given some priority by Government and such bodies as the N.R.B. Moreover, the Council would be in a position to take immediate advantage of assistance rather than having to wait until processing was complete. Actual development could occur after proposals had been approved through normal planning procedures. As for those areas without "essential services", the Deputy Mayor suggested that deferred zoning would provide an adequate safeguard for the City.

It is important to deal with the specific reasons given by the Deputy Mayor for the recommendations he was placing before Council. The first dealt with the existing supply of sections:

> (i) I accept staff estimates that the occupancy rate including State houses is now 83% and that excessive escalation of section prices is likely to occur in the near future despite the present national economic situation. (emphasis in original)

To emphasise the gravity of the situation he noted:

> ...the Valuation Department states that there are only about 1,500 residential sections "available - i.e. "for sale" in the existing City area. This is sufficient only for 2 years even at the current depressed building rate.

Referring to the extension he observed:

> ...the situation in 1962 is quite different from that which pertains today. In 1962

> sections were immediately available after the boundary extension because of subdivisions approved and developed in the 2 Counties and brought into the City with the boundary adjustment (emphasis in original).

Based on advice received from the City Solicitor concerning the time it would take to process the boundary adjustment, and taking into consideration the time it would take to process scheme approvals and site development works, it was reasonable, he said, to conclude that it would be "...up to 1½ - 2½ years after the boundary extension before sections are available for sale". (emphasis in original).

The second reason concerned the City's own property holdings:

> Council owns a number of properties outside the City bought for development purposes. Delays in boundary extensions may well jeopardise their development which would be disadvantageous to the ratepayers.

The difficulties which would be created for planning capital improvements through "delays in decision making" was the focus of his third reason. In this regard he pointed out that the Council had to complete its planning exercise by the end of April 1976. The question of whether or not the Council was being realistic in its demand for financial assurances was the subject of his fourth and final reason:

> Council's insistence on a guarantee of 5 years funds for relatively minor works, I now believe is unrealistic.
>
> Council has always had guarantees for major items of expenditure, such as the Water Treatment Plant and the Sewerage Plant before the contracts were let and that is as it should be. But to insist now on guarantees for works of a more minor nature such as water mains and sewerage mains (which in any case qualify for a guaranteed 30% subsidy) commencing

> 3 or 4 years after the boundary extension is, I believe, unrealistic. (emphasis in original)
>
> What is realistic, is for Council to ask and continue to ask this Government to put into effect 5 year Capital Improvements Programming on a national basis, with of course annual reviews and to provide Council with the funds as approved in that programme.

The Deputy Mayor's recommendations will be left for the moment as they were to be re-introduced a few weeks later in a somewhat amended form at a Special Council meeting. The major one for this point in the analysis was:

> That the Local Government Commission be asked to process the boundary extension documents allowing for a new boundary to come into effect by October 1st 1976, or if that proves to be impracticable, by April 1st 1977.

Following the Deputy Mayor's statement, Councillor Page observed that given the circumstances he regretted not having prepared a Notice of Motion that the boundary extension should be deferred until the Council had been given assurances regarding the Te Rapa Motorway Bridge, servicing finance, and the provision of buffer zones. His analysis of the situation facing the City, particularly with respect to the number of sections available for housing, differed quite markedly from the Deputy Mayor's. He suggested the entire matter should be placed in the hands of a committee for more "indepth study" for Council to reach a "balanced decision" rather than one based on "emotional appeal". He would need to be convinced that the "land situation is urgent enough for the Council to dispense with its request for certain guarantees". He argued that the original sense of urgency had developed during the "1972-73 boom period"; had the trend continued "we would have indeed been in trouble". But the demand for sections had dropped as a result of the country's economic recession. Having given certain figures, Councillor Page concluded that, should demand increase, there would be a sufficient number

of sections to meet immediate needs. Moreover, he observed that representations from firms concerning the urgent need to extend the boundaries should be treated for what they were: "arguments from vested interests". These interests, he argued, should have "planned ahead" and not relied on the Council to make more land available for subdivision through a boundary extension. He was aware also that in the case of one company, which had been calling attention to the shortage of reasonably priced sections, it had recently sold a large portion of its own stock of such sections to another company. Councillor Page's assessment of the City's section supply, it should be noted, was based on his knowledge, as Chairman of the Legal Committee, of the number of subdivision approvals over the previous eighteen months and the number of these remaining vacant at the time. Also, his position as a partner in a local firm of accountants gave him access to information about what was happening in Hamilton's land development and building industry.

Several Councillors supported the suggestion for time in which to assess the land supply situation and to obtain additional information from Council staff and other sources. The Deputy Mayor accepted this view but suggested that further discussion would provide a way of indicating to the staff exactly what sort of information Councillors felt they still required.

Councillor Page and the Deputy Mayor continued to exchange views about the number of vacant sections remaining in the City and what this represented in terms of the City's future needs. Councillor Webb noted he favoured a boundary extension based on the City's capacity to service the new areas. He reminded the Council that it had decided in 1975 to keep the City's borrowing to a "pre-determined limit". This decision had been taken to introduce some order into the growing costs being faced in all spheres of activity at the time when the country was experiencing financial difficulties. The next two years, he felt, would be critical ones as far as the City's capital expenditure was concerned. Referring to the proposed

new areas, he said: "It is no good us saying bring them in and then admitting we can't meet the expenditure necessary to make them serviceable". This point was supported by another Councillor who suggested that, unless the central government made clear financial provision first for servicing the new areas, the City would compound its financial difficulties by expanding the boundary.

In reply, the Deputy Mayor explained the City already had the capacity to service certain proposed new residential areas through already completed capital works. That this was the case was confirmed by the City Engineer. Councillor Evans questioned the rationality of extending the boundaries at all. She referred to a report prepared for the Auckland Regional Authority which established that on average it was 10% more costly for local authorities to service new areas than to engage in re-development of existing urban areas. At the very least, she thought, the City would find itself with increased maintenance costs if new areas were attached to the City. She suggested that the Council should be trying to promote "cluster housing" and observed it was Government policy to encourage urban renewal and redevelopment. She had made a few enquiries and discovered that the costs of developing subdivisions in the new areas would place sections outside the limits of Housing Corporation loans. If development did occur, the Government's lending policies would have to be changed. But what concerned her most were recent soil surveys which showed that a great deal of the land was "totally unsuitable for residential development". She concluded that the "time is long gone when New Zealanders can own their own homes". Instead of trying to perpetuate the traditional quarter acre section, the Council should be attempting to check urban sprawl by encouraging the sort of redevelopment which would result in high density housing. In response, the Deputy Mayor observed that the review of the District Scheme already was taking into account the need for higher density development. He also pointed out that "the gentleman" who had prepared the recent report on soil conditions had been a member of the

team that produced the first report on which areas the Council should consider for urban expansion. The team's final recommendation had been a "compromise" as had the Council's final decision. Councillor Evans' arguments for high density housing did not receive sympathetic consideration because it appeared to some she was being too quick to deny to others the type of lifestyle she herself enjoyed.

Councillor Mills observed that a great deal of the land on the periphery of the City earmarked for residential development, would not require a capital outlay by the Council. Practically all development costs would be carried by the developers themselves. As for the suggestion that building companies had neglected to do sufficient forward buying, he explained that it was not possible to buy land in the City and develop it at a reasonable cost. That, he asserted, was why companies had been purchasing land outside the boundaries in readiness for the extension. Dealing with the quarter acre section he reminded the Council that such sections had not been put on the market for some time. Councillors, he concluded, should understand that, by and large, young people could not afford land in the City. Most of it was very highly priced and required a great deal of improvement that made it expensive.

Councillor Gilchrist enquired as to how the Council could be certain that if the boundary extension took place the building companies would actually subdivide the land and provide cheaper homes. His concern was that these companies, as in the past, would manipulate the supply of land to their own advantage and not the prospective buyers'. In a similar vein, he suggested the Council should try to arrange for the new land to be sold without building ties.[76] This, he felt, would encourage better standards of design and construction. In reply, the Deputy Mayor remarked that it was the Council's intention to make its own land available "to people not organisations". This was an allusion to the Council's intention to use its own land holdings - the so-called strategic areas - to influence

both the pattern and direction of development and the land market itself. However, another Councillor observed that the boundary extension would not provide a guarantee that cheap sections would become available. He noted it was not "prudent business practice" for large developers to create either "buyer's markets or seller's markets". Faced with competition by Government in land development and house construction, these companies, he felt, might arrange their own affairs in such a manner as completely to unbalance the land market. Councillor Pullon, arguing in favour of the boundary extension, observed that in her opinion additional land would encourage competition. She was also worried that if land were not made available the City "will lose people to Auckland where sections are available and Hamilton will become a backwater".

After this discussion, the Deputy Mayor suggested that the Council move into closed session to discuss specific aspects of the boundary extension with senior staff officers. This it did. The Council decided after the session, to defer further discussion of the boundary extension and the Deputy Mayor's recommendations until the April Council meeting. In the interim, the staff were expected to prepare reports on those matters which the Councillors felt required clarification.

Approximately two weeks after the March Council meeting, described in detail above, the Deputy Mayor circulated a memo to Councillors informing them of his intention to ask the Town Clerk to call a special meeting of Council for April 12, two days before the regular monthly meeting. He explained the reason for his request, thus:

> My attention has been drawn to the fact that the No. 2B District Roads Council has its annual meeting on the same day as the next meeting of Council that is, the 14th April, and it will be necessary for Council to decide before that date whether it wishes a boundary extension before the 1st of April 1977 or not. (emphasis in original)
>
> If Council decides on the 1977 date, it will be my responsibility as Council's

> nominee representing all the Municipalities, in the No. 2B Roads Council district to suggest alternative uses, probably in the smaller Municipalities to the Roads Council for the $30,000 allocated by the National Roads Board for maintenance of ex-county roads brought into the City in 1976. (emphasis in original)
>
> I believe that it would be a tactical error to have to decline funds allocated by the National Roads Board after Council has pressed so hard to get them. (My emphasis)

Exactly what sort of strategem the Deputy Mayor was now following was not clear to Councillors. Although it was his responsibility, as the Council's representative on the District Roads Council, to advise them of matters of import to the City, it seemed strange he should try to use the thirty thousand dollars as an inducement to get support for an early boundary extension. As far as most Councillors were concerned this was a paltry sum compared to what was required for upgrading "ex-County" roads. Possibly realising this would be the reaction and the tactical consideration might not be sufficient to convince his colleagues of the need to move quickly on the boundary extension, the Deputy Mayor included the following comment in his memo:

> As far as funds for upgrading ex-County roads are concerned, Council got the approval of the District Roads Council for funds to be allocated for this purpose in 1977/78 and 1978/79.

The National Roads Board's comment on this request, which related to all similar such requests, was:

> In line with the decision made in respect to Counties, approvals are being held over with respect to new works in the second and third year (i.e. 1977/78 and 1978/79)
>
> The $12,000,000 recently allocated by Government to the National Roads Board is unlikely to make any difference to the decision of the Board, as the extra

$12,000,000 does not even bring the Board's estimated revenue for 1976/77 up to the figure financially allocated in 1975/76 of $107.40M. (Forecast 1976/77 - 93.50M. and Government grant $12,000,000, which equals 105.5M.).

This pointed to the virtual impossibility of the City obtaining more funds from the N.R.B.; particularly to finance the Te Rapa State Highway Bridge. The Deputy Mayor's point was that, in the light of this situation, it was nothing more than wishful thinking for Councillors to believe that by holding back the boundary extension, funds would eventually be made available for the bridge and new roading. Given this, and the country's continuing economic difficulties, it made good tactical sense for Council so to arrange its affairs that it took advantage of the City's eligibility for additional financial assistance when it was available. This applied to the $30,000 available through the Roads Council. To do otherwise, the Deputy felt, would tend to weaken the City's future negotiating position relative to other local authorities when it came to establishing which authorities had projects deserving priority consideration.

The purpose of the Special Council Meeting, the Deputy Mayor stressed at the beginning, was to determine in more of less specific terms when the boundary extension should take place. The advisability of the extension, if it were to be discussed, would require Standing Orders to be set aside as a resolution on this matter had already been passed (July 1975) and the decision taken to proceed. A number of Councillors seemed unable or unwilling to understand the distinction and persisted in raising questions about whether the extension should take place at all and whether there were alternative approaches to meeting the City's future housing needs. Often their statements suggested a lack of understanding of what was now at stake, and of what was occurring in such related areas as the review of the District Scheme. For the more informed and aware Councillors particularly the two protagonists, Councillor Page and the Deputy Mayor, the timing question continued to be all-important and involved serious

strategical considerations.

Since the previous month's Council meeting, the Deputy Mayor had become aware of a resolution passed at the October, 1975 meeting. This resolution, he added, had probably been overlooked by other Councillors as well. The resolution stated that: "...firm assurances be sought for satisfactory financial provisions before any change of zoning following the proposed extension". In addition, he disclosed that during a conference in Christchurch he had spoken to representatives of the Local Government Commission about the problem which had developed over the City's extension and had been left with the impression that there was no "magic date" for completing the application procedures. The Deputy Mayor read out the recommendations which he had prepared for the Council's consideration. They were a somewhat amended version of those introduced at the March meeting. The changes are not critical for this analysis.

(a) That the Local Government Commission be asked to process the Boundary Extension Documents allowing for a new boundary to come into effect by October 1st 1976, or if that proves to be impracticable, as soon as possible thereafter.

(b) That in the event of the October 1st 1976 date line being met, rates levied by the two Counties for the full year 1976/77 in the new areas be paid to the Counties, less that owing on Council owned property occupied by utilities for half a financial year, provided that reasonable maintenance work is carried out on the roads in the new areas prior to 1st October 1976.

(c) That a District Scheme be prepared for the new areas with a rural zoning in all areas where the Council is unable to provide essential services and that those areas zoned rural be reviewed with a view to more appropriate zoning after the Five Year Capital Improvements Programme Review each year.

(d) That the two Counties be informed of the Council's decision.

(e) That the Council continue to pursue the matter of adequate finance for new areas including increased sewer and water subsidies and a stormwater subsidy.

(f) That the Council's appointee on the No. 2B District Roads Council be asked to recommend to the District Roads Council that in view of the Housing Corporation plans for imminent housing development in the Dulverton area, the National Roads Board be requested to give urgency to the programming of funds for the construction of the Te Rapa State Highway Bridge, work commencing in the 1977/78 financial year.

After the recommendations had been read out, Councillor Page rose on a point of information inquiring whether they were contrary to Council's July 1974 resolutions relating to the provision of services. In adopting these resolutions, he noted, the Council had made it clear it was not prepared to agree to development in new areas where the provision of trunk services would be carried out on a "piecemeal basis". Since the recommendations appeared to run contrary to this policy Councillor Page queried whether or not they required a formal "Notice of Motion".

After the procedural question was disposed of the Deputy Mayor commented on the letters and reports received from various quarters during the one month interval. Some of them were unsolicited, including letters from the Hamilton Civic Trust, The Waikato Branch of the Real Estate Institute, The Waikato Master Builders Industrial Union of Employers, and a lengthy submission from Odlins Ltd, prepared by Murray-North Partners Limited (Engineers and Town Planners).

The Trust's letter requested adequate consideration of urban renewal and redevelopment and got very cursory treatment. The Deputy Mayor dwelt longer on the R.E.I. letter because it focused on the declining "opportunities" for young people in the housing market and corroborated his view of the urgency surrounding the boundary extension. The local branch expressed "...its concern regarding the

division among Councillors on the proposed extensions to the Hamilton City Boundaries", and noted:

> Considerable public expenditure has already been committed to this end including sewerage and water pollution control plants as well as service mains to the proposed growth cells.
>
> This industry is extensively involved in the marketing of land in the City and the existing shortage of sections, particularly for low cost housing, is rapidly strangling the opportunities of our younger people.

Following on this statement, the Branch drew attention to the longterm effects of delay on the economic vitality of the City.

> The Executive consider that unless the proposals of the Area Study Report are implemented now the vitality of this City will disappear and other centres will expand to our City's detriment.

To limit opportunities for expansion would lead to growth elsewhere and a decline in Hamilton's prosperity. Its opinions, the Branch observed, were not aimed "to protect vested interests", but were based on its "unique opportunity to make an objective observation".

"Objective" or not, these observations, and those contained in other "unsolicited" submissions, marked the first time that private interests had come forward to express formal and public concern about the progress of the boundary extension. As will be seen, the views of the real estate industry were repeated and received greater elucidation in the Odlins' report. The letter from the Master Builders embodied a similar line of argument and had been sent over Councillor Prior's signature in his private capacity as secretary for this organisation. It expressed his Executive's concern "...that there should be no delay in the proposed extension of the city boundaries". Continuing on, it said:

> Several members mentioned that there is and will be an increasing shortage of land available within the present boundaries for low or medium cost housing and that it is essential for new land to be made available within the extended boundary area.
>
> The speakers were aware that much of the development cost would be met by the developers concerned but they also considered that reasonably large numbers of sections could be made available with little or no cost to Council, and that careful planning could ensure that such developments were processed without becoming a financial embarrassment to Council.

While the Deputy Mayor had opened up for Council discussion the whole boundary extension matter, there had been opportunities for submissions to be made to Council during the former Mayor's administration. Presumably, given his repeated statements that the City's future was not to be determined by the interests of the private sector, the latter had decided not to press the Council, at least overtly, for more or faster progress. Moreover, the former Mayor's publicly stated interest in "slowing down" the City's growth would suggest he was less than sympathetic towards the idea that further delay would endanger the City's future prosperity. After all, he had quite deliberately "stalled" the extension as long as possible in an effort to push investment into other localities of the region.

New opportunities had now emerged. The City's political processes were not centred exclusively on the Council but extended to very active, but informal, private interests within the City.

The Deputy Mayor also read a letter from the Housing Corporation. It included the following statement:

> The Corporation's present land holdings based on anticipated usage are sufficient only to meet our building and sale programme to June 1978.

> From that date we would require serviced sections to be available.
>
> To meet that target scheme plans would require local authority approval by the end of this year, to allow the necessary lead time for engineering, design and approval, calling and letting of tenders, and the physical construction work.

The Odlins' report, the Deputy Mayor noted also pointed to the urgent need for more sections. The relevant part of the report's conclusions was:

> ...the housing needs of Hamilton's growing population are not being adequately met. The reasons are partly financial, but also relate to land shortage. On the basis of optimistic calculations, the supply of land is not sufficient to meet the need of the low-cost market particularly, nor of the market as a whole.

While he felt some of the statistics used could be questioned, the Deputy Mayor observed that the report provided evidence of the declining choice of accommodation in the City. The report said:

> The shortage of sections available on the market is offering insufficient choice in terms of location and price, and is causing people to delay purchase with similar effects to that of mortgage starvation.

And elsewhere:

> There is evidence that the downturn in building activity, the shortage of Housing Corporation mortgages, and the shortage of low cost sections in Hamilton, is causing increased difficulties for young couples and families seeking accommodation. With access to the home ownership market blocked, these families are turning to the rental market, and are experiencing well-publicised difficulties by virtue of the increased pressure on the City's rental accommodation.

This was the problem which concerned the Deputy Mayor most and continued to be the major reason for his efforts to

accelerate the boundary extension. He stressed the City Council's responsibility to ensure people had a reasonable choice of life styles. Moreover, he observed, partially in reaction to the Trust letter, that even with greater intensity of development within the present City boundaries through re-development, only a small percentage of those requiring homes could be accommodated. He reminded the Council of the research for the Comprehensive Plan which had shown that there were few areas within the City available for re-development. The Odlins' report noted:

> There are small areas of land in Hamilton ready and available for redevelopment. These areas are located and have land values such that higher density housing of a type that might appeal as an alternative to traditional suburban houses is unlikely to be economic. A mixture of comprehensive development of medium density would be desirable here and it is likely that the market for high density developments will remain limited.

It was far more "economic" to continue with the "traditional" form of suburban development than to engage in large-scale redevelopment. Not only this, but the demand for "high density" accommodation was still, and would continue to be, "limited". According to the report, people preferred to own single family homes and have the privacy of their own sections. Similar comments were made regarding the redevelopment of Residential B areas:

> There are few areas zoned Residential B in Hamilton where the condition of houses or other factors indicate that redevelopment would be immediately desirable. Even if there were, the scale of redevelopment necessary to meet anything but a small portion of Hamilton's expected growth could not be bought about by the exercise of Council's existing powers. In addition, the social and economic hardships that arise from large scale redevelopment would almost certainly outweigh any advantages, and postpone the acceptance of higher densities by Hamiltonians.

Apparently the Deputy Mayor agreed entirely with the above comments. Councillor Page, however, continued to harbour suspicions about the reliability of information and assessments provided by "vested interests". He disputed the veracity of the data used to support the report's conclusions. In particular, he was concerned about the analysis of the amount of residential land still available within the City boundaries. The report, in his view, had not provided an accurate picture and there was good reason to question its contention that the shortage of sections had reached a critical point. From his knowledge, as Chairman of the Legal Committee, there was still a considerable amount of residential A land available. Having monitored building activity and the number of permits issued during the preceeding year, he had reached the conclusion that the remaining 1800 sections left for construction represented four years supply, not two and a half years as the report asserted. The figure of 1800 had been reached in the following way:

> There are about 1030 acres of undeveloped land within the residential zones of the existing City. At 100% utilization, and a net yield of 3.7 sections per acre, this land could yield about 3,800 sections. The yield that might be derived from remaining land in the City is, however, very difficult to estimate. Some of the remaining land has an existing frontage and might therefore yield more than 3.7 sections per acres. Many sites of this type are small and inconveniently shaped, and these characteristics reduce yield. Other areas remaining within the City are peaty or have gully aspects. These areas are more costly to develop and provide low yields. In any event, it is questionable whether all such land should be developed. An average yield of 3.7 sections per acre, which is close to Hamilton's existing density, is considered appropriate in this case.
>
> Utilization of Hamilton's remaining residential land is likely to remain at a rate well below 100% for many years. Following the 1962 City expansion, about 47% of the residential land remaining undeveloped before expansion, was still not available five years later. Among the reasons for this were unsuitability of land, high costs of development of

remaining pockets, and unwillingness on the part of some owners to subdivide.

A similar portion of the land now available is likely to be kept from development. This suggests that approximately 1,800 sections is the maximum likely to become available within the existing City within the short term. This number might only be increased by substantial increases in price of sections.

Whereas Councillor Page, working on the basis of recent building trends, arrived at an estimate of four years the report argued: "If the present economically depressed conditions continue, those 1,800 sections would represent 2½ years supply". If the situation were to change the City would be faced with an even more difficult situation: "In more normal conditions, this would represent approximately 18 months' supply...". "It is possible and likely that the national economy and the market demand for housing will improve within two years". If the objectives of the Comprehensive Plan 1974 were to be secured, the report advised, then action had to be taken to extend the city boundaries as soon as possible.

In response to Councillor Page's observations, the Deputy Mayor said that the City's planners had reported that the Residential B areas were fully developed. There followed a confusing, and somewhat complex, exchange between these two individuals about the exact number of sections still available to builders and what this represented in terms of the City's foreseeable housing needs. Councillor Page concluded that, "It all depends on how you look at the figures as to whether or not they reflect a state of urgency". And: "If you want to argue for urgency then the Odlins' formula is a convenient one".

Other Councillors got involved in the discussion. In Councillor Peace's opinion, "the day of the low cost section is gone". He questioned the assumption that the boundary extension would produce low-cost housing. Moreover, he did not "subscribe to the view that growth elsewhere is to our detriment" and suggested that smaller

communities in the region "may be the only centres where there is low cost land". Prepared for such comments, the Deputy Mayor forwarded the view that the real concern was the provision of "lower priced sections". Presumably he was referring to the greater expense of redevelopment as opposed to the development of new areas of land. Taken in this context, the boundary extension would provide cheaper sections. When Councillor Evans again referred to the possibility of encouraging the construction of "cluster housing", he quickly reminded her of every New Zealander's "right to choose". Responses to the questionnaire circulated throughout the community during the preparation of the Comprehensive Plan "gave no indication that people wanted cluster housing". The goals and objections of the Plan, he added, were based on what people said they wanted and for this reason the Council now had an obligation to make decisions consistent with these views. Councillor Pullon then disclosed she had received a number of phone calls from ratepayers who were dismayed at the prospect of having to bear the cost of servicing the new areas. Many of these people, she explained, lived in areas which had become part of the City as a result of the 1962 extension and were still waiting for the completion of services. Councillor Mills stepped in at this point and referred to the City Engineer's report. This, he pointed out, made it clear that with "phased development" there would be a "minimum level" of expenditure for the City and therefore no noticeable increase in rates for existing ratepayers. As each area was developed and occupied there would be more people to share the costs of servicing the next areas. The Engineer's report provided the following information:

> ...two small portions of peripheral area No. 1, the proposed City Housing Development area at Church Road in peripheral area No. 2 and peripheral areas 3 - 8 inclusive have services immediately available for extension by the developers and no major Council expenditure would be necessary to permit development as soon as the District Scheme is approved. This means that there could possibly be

> occupation of some buildings in these areas about 12 to 24 months after the new boundaries are gazetted.

Regarding the Dulverton growth cell, the City Engineer pointed out that "...consideration must be given to the effect on cross river traffic if a large population grows here before the northern motorway bridge is constructed". As if to reassure Councillors worried about the urgency of providing a bridge, he said:

> ...it should be noted that the Area Study anticipated that the two growth cells would accommodate only a total of 1800 population by 1981 (say 300 houses in each).

Dealing with Peripheral Area No. 1, the Engineer explained that the Council would have to complete a stormwater interceptor to service the "major portion" of the area at an estimated cost of $560,000. A section of the Peripheral Area No. 2 would also require an interceptor at an estimated cost of $60,000 - $70,000. But he noted:

> The storm drainage levy on this area would meet the entire cost of this outfall, and subject to availability of loan finance, Council could perhaps consider bringing the construction of this portion of the Pukete Stormwater Interception forward on the 5 year Programme for construction in 1977.

The Council, the Engineer reported, had only one major expenditure facing it and this pertained to the provision of a sewer interceptor, trunks watermains, and storm drainage works for the Rotokauri Growth cell. However, he pointed out "It is considered unlikely that this area will be made available for development before 1980".

The City Engineer's assessment, Councillor Mills argued, made it clear the City would not have to undertake major expenditures at an early date and when they were finally required the rating base would have improved

considerably with the increase of population resulting from the development of the first peripheral areas. He also expressed his agreement with the view that the Council could not "decide whether people will live in high rise buildings or cluster housing".

The Odlins' Report saw no reason for the City becoming burdened with large financial commitments as a result of the proposed boundary extension. If things were managed properly the new areas would pay their own way. Indeed, the report argued that further postponement, given the City had already committed itself to certain capital works, was "...to delay relief to existing ratepayers who now carry the servicing costs on capital expended for the benefit of future generations".

The City Engineer had had "informal discussions" with developers about the length of time it would take to move from the stage of scheme plan preparation and land development to actual construction. Two years, he said, appeared to be the time involved, however, "The period could be shorter, down to say 12 months in some cases especially where existing road frontages can be used". As for a specific date for the boundary extension he was somewhat evasive, saying:

> It seems to me much more important that Council and developers should know definitely that the next City expansion is taking place on a certain date - 1st April 1977 is considered a reasonable date - rather than trying to get the boundary extension approved, say this calendar year. Having a firm date for boundary extension would mean that both Council and developers would be able to plan the work to suit, subject of course, to any financial restrictions that might exist.

The City Engineer, it may be interpreted from the above, was not going to be drawn into the politics of the timing question. The statement was sufficiently ambiguous to satisfy both factions within the Council. The Engineer's seeming ambivalence reflected also the somewhat unclear

political situation which had developed within the Council since the Mayor's resignation. The Deputy Mayor and Councillor Page had substantial - almost equal - support within the Council. While the Deputy had acquired an advantage in becoming the acting Mayor this was only temporary. A new Mayor was soon to be elected. For senior staff, who found it important to maintain a very careful eye on changing power relations, the situation required careful handling. That the Deputy Mayor was also Chairman of the Works Committee did not make things easier for the engineers. Meanwhile, it had become very clear that the Deputy was trying to finalise the timing question before the election of a new Mayor, thus removing the possibility of it becoming enmeshed once again in the intricate machinations of an individual having objectives different from his own.

During the Special Council meeting, the City's Statutory Planner was asked to give his opinion on the need to promote higher density development within the existing boundaries. The review of the District Scheme, he replied, had taken into account not only the need to encourage "slightly greater residential density" but also the principle of people having the "right to choose between cluster housing and the traditional quarter acre section". He confirmed there were few areas available for redevelopment and considered that any estimate of the amount of accommodation which could be provided in this way would have to be "theoretical". Not prepared to concede the issue, Councillor Page commented that no one had attempted to gauge the number of sections available through resubdivision and noted that during the last twelve month period the Legal Committee had "processed more re-subdivided sections than ever before". The revised District Scheme, he also noted, would lead to more of this activity as the criterion of thirty-two perches and above applying to resubdivision was to be lowered to 28 perches. This change, plus alterations to the District Scheme regarding the location of houses

in relation to boundary lines and so on, would lead to higher density development. The Council now had the opportunity to encourage this type of development and "if we had the courage that is what we would do". Once again, the Deputy Mayor rebuked Councillor Page and reminded him of the Council's responsibility to endeavour to "translate peoples' wishes into the District Review". The City, he explained, had spent a great deal of money on the "lengthy and intensive" exercise of preparing the Comprehensive Plan and review of the District Scheme, and the City Planners had obtained as much information as they could and from as many quarters as possible. Commenting again, the Statutory Planner referred to an early piece of research, carried out by the Town and Country Planning Branch of the Ministry of Works, which concluded that a population of 107,000 was the maximum the City was able to accommodate within the existing boundaries. Whether or not the researchers had taken into account public demand for particular types of housing was another question altogether. He suggested that greater density of development would entail a significant change in life styles. For his part, the planning exercise had become a "balancing act between what citizen s want and encouragement for higher density housing". The proposals incorporated into the District Review would provide for "high density living" but there remained a question of whether people would take up this option. For this reason, allowance had been made for the traditional life-style, thus protecting every citizen's "right to choose".

After some discussion about statistics, the Deputy Mayor referred to a report from the Valuation Department. This, he pointed out, showed that section price levels had "...remained relatively comparable to the national average over the last four years with perhaps a slightly greater than average increase over the last year". He then referred to the Engineer's Report and drew attention to the information concerning the availability of services

for the proposed new areas. Since the City was already carrying the financial burden for a number of these services he argued, as did the Odlins' Report, it would be to its advantage to facilitate development as quickly as possible. He estimated the City would be involved in a total cost of one million dollars as a "banker" for the stormwater levies. Such an amount, Councillor Page immediately interjected, was not consistant with the Council's past resolutions which stated that the "peripheral areas must pay for themselves". He wanted to know why there was a deficiency of one million dollars. In the case of Peripheral Area No. 2, he noted, a portion of the one million could be recovered from land sales as the Council itself was a major land owner.

After some quick calculations the Deputy Mayor was able to inform Councillor Page that the rates which the Council would receive each year from the properties under discussion would roughly equate with the $200,000 yearly cost of being the "banker" for stormwater levies. There then ensued a discussion involving the City Engineer and the Design Engineer, about the total cost of servicing all the new areas. The City Engineer's "guesstimate" was five million dollars. But, he reiterated, some services were already available and thus the City would not have to worry about further expenditure. The Design Engineer, feeling it was necessary to remove any doubts about who was going to pay for these services, pointed out that current legislation prevented placing the costs entirely on new areas. Since the systems had been built to service existing areas within the boundary as well as to cope with expansion, charges would be applied evenly over the entire systems.

Finally a Councillor asked whether it was the case that the boundary extension would result in no additional charges to the City except those involved with being banker which, in turn, would be off-set by rates. In an attempt to bring the discussion to a conclusion before any further confusion developed,the Town Clerk said that this was the Council's objective and one of the reasons

for imposing stormwater levies on developers.

At this point, the Council returned to the Deputy Mayor's recommendations. Councillor Page announced he was prepared to accept the recommendations and to forego the Council's original policy for seeking financial assurances from the central government so long as certain conditions were incorporated. If it were understood that the City would service properties only if [illegible] finance was available for each area in turn, then he would be prepared to withdraw the request from central government for a guarantee of "an even flow of finance" as a condition for the boundary extension. He felt, however, that the recommendations should contain a condition concerning the provision of acceptable buffer zones. This, he observed, was necessary if the interests of future residents in the new areas were to be protected. Secondly, he argued, since the Dulverton development would result in a greater traffic flow across the river the recommendations should contain a condition concerning the Te Rapa Motorway Bridge. Until the Council, he suggested, had a "commencement commitment" for the bridge, the Dulverton area should remain in rural zoning. In other words, he was prepared to compromise and agree to a retreat to the Council's second line of defence i.e. its zoning powers.

With respect to the buffer zones, the Deputy Mayor explained that the Council had appointed him to negotiate with Housing Corporation representatives on this matter and a consultant's report was being prepared. The Corporation, he reported was "bending over backwards" to meet the Council's wishes, but the National Roads Board might try to be "a little more generous". To a question the Statutory Planner replied that the buffer zones would be "considered seriously for inclusion in the District Scheme" for the new area. This would provide additional strength to the City's position on the matter. For the Government to proceed with development without making

allowance for the zones would be to disregard Council policy.

Councillor Prior stated that, as far as he was concerned, the recommendations drafted by the Deputy Mayor gave "sufficient outline for the purposes we are meeting here tonight". Although he understood Councillor Page's amendments, he was not in favour of them as they related to zoning details which were more appropriate for consideration at a later point in the boundary extension process. The Deputy Mayor expressed his complete agreement with Councillor Prior's comments, observing that the Council had to be reasonable given the state of the economy. If was a "waste of time", he noted, asking the National Roads Board to provide such assurances at a time when it was "not prepared to commit itself anywhere in the country". Under existing economic conditions the Council could assume, he argued, that financial commitments would not be forthcoming from the N.R.B. At that point the Board's resources were so stretched it was finding it difficult to provide finance for a large number of uncompleted works. In reply, Councillor Page said that his amendment was not intended to be a request for an immediate commitment but for an undertaking in the form of a reasonable "future assurance". The Deputy Mayor said he did not feel the Council could get such an undertaking. To which Councillor Page expressed the view that the Council would "never be in a better position to spell out its requirements". Councillor Prior argued that the Council should not be considering zoning matters. Entering the discussion, Councillor Mills expressed sympathy for Councillor Page's concern that since the third resolution made it clear that the Council would retain rural zoning until essential services were provided he could not understand what further "protection" was necessary. Recommendation 3, the Deputy Mayor quickly pointed out, only related to the provisions of Council services. It was Recommendation 6 which concerned contributions to state highways, for which, he repeated, there was unlikely to be any firm commitments from the

N.R.B. He also said that while the Housing Corporation was involved with the proposed new areas the N.R.B. did not take orders from the central government. In other words, there was no sense Councillors believing that pressure on the Housing Corporation would result in the Government ordering the N.R.B. to make funds available to the City.

Councillor Mills proposed a compromise which entailed the retention of rural zoning in those areas where the Government was seen to be responsible for providing certain essential services. Ignoring this proposal, Councillor Peace said he could not understand why the Council would willingly give up an "admirable opportunity" to get Government assurances for the motorway bridge. Supporting this point Councillor Evans expressed the view that, since the Council was proposing to commit Hamiltonians to an "immense sum", it was only "fair" to ask for certain commitments from the Government, otherwise havoc would result. She also questioned the sense of proceeding with an extension if the Council felt that the land would have to remain in rural zoning for some time due to the lack of financial support from the Government. The idea of pushing forward under such circumstances, plus the fact the Council had not even received a guarantee for half the subsidies which related to the provision of services in the proposed new area, "horrified" her. She also explained that it was her understanding that the Housing Corporation was not necessarily bound by local authority zoning and that this aspect of the process was in reality a "gentleman's agreement". As he understood the legislation, the Deputy Mayor explained, the Housing Corporation was bound.

At this juncture, Councillor Gilchrist said he found the Deputy Mayor's statements somewhat confusing. On the one hand, the Council was being asked to request assistance for the 1977/78 financial year and in the next moment to accept that there was no money available. In

reply the Deputy Mayor explained that the design work for the motorway bridge was being done and once this was finished the project would be considered by the N.R.B. along with all the other new works being proposed around the country. What he was trying to do was "get our project to the top of the list by moving things along". Continuing, he implicitly criticised those Councillors who wanted to apply pressure on the Government by explaining his "personal preference" for not "holding pistols to people's heads". Councillor Page again pointed out that he was only seeking an acceptable target date for the construction of the bridge. In reply to this comment the Deputy Mayor pointed out that the Housing Corporation had the right to appeal the City's decisions with respect to zoning. Councillor Page retorted that if such a thing occurred the matter would become political and "it will be public opinion that will sway the decision".

Councillor Page moved the following two amendments to the Deputy Mayor's recommendations:

1. That part (c) of the Motion be amended by the addition of the words "and provision be made in the District Scheme for motorway buffer zones in the new areas; and

2. That part (f) of the Motion be amended by the addition of the words "and in the case of the Dulverton area, no change be made to the rural zoning provided for in part (c) of the Motion, until an acceptable date for the commencement of the Te Rapa State Highway Bridge is received.

The first amendment was defeated and the second, much to Councillor Page's satisfaction, passed. The Deputy Mayor had convinced the majority of Councillors that negotiations for the buffer zones were proceeding well, however, the majority of Councillors were not prepared to give up the fight for a firm commitment from the

Government concerning the bridge. So while the Deputy Mayor had finally managed to get a commitment regarding the actual timing of the boundary extension, the Council had decided to retain its second line of defence and thus secure its negotiating position in relation to the central government.

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The boundary extension continued to be a source of debate within the Hamilton City Council for two more years. The advent of a new National Government in 1975 did not bring, as some Councillors thought it might, a more generous approach to the Council's requests. Additional financial assistance for servicing requirements was not forthcoming and despite the diplomatic overtures of City planners the Housing Corporation remained unwilling to accommodate the Council's planning policies. Indeed, pressure was brought to bear, particularly by the Local Government Commission, on the Council to moderate its planning policies to allow for cheaper residential development after the extension was gazetted in 1977.

REFERENCES

1. This point is examined in the chapter titled: The New Money Lenders. It is of interest to note that the questionable activities of solicitors and the abuses surrounding the operations of nominee companies received the attention of the Law Society's president in December 1974. He made the following comments in an address at a Manawatu District Law Society reception:

> I believe our integrity becomes questionable when we engage in entrepreneurial activities, either alone or in conjunction with clients or clients' funds. I believe too that misuse of the nominee company system could be instrumental in loss of faith in the profession by the public. Either we stick to law as our profession or we give it away and become merchant bankers, operators of finance houses, speculators and developers. Frankly there is no room in the profession for mixed businesses of these natures.
>
> (Law Talk - newsletter of the New Zealand Law Society, December 1974)

2. Waikato Times, 31 October 1973.
3. Hamilton City Council, Hamilton Area Study Report May 1972, p.7.
4. ibid., p.104.
5. ibid., p.107.
6. ibid.
7. ibid., pp.109-110.
8. ibid., p.88.
9. ibid., p.89.
10. ibid., p.88.
11. ibid., p.86.
12. ibid., p.88.

13. ibid.

14. ibid., p.63.

15. ibid.

16. ibid., p.62.

17. The Mayor and the Councillors referred to their strategy in these terms in private conversation and at Council meetings.

18. This view was expressed by builders in interviews.

19. The Local Government Commission is constituted under Part I of the Local Government Act 1974. Among its functions is the responsibility of overseeing and administering local authority boundary changes.

20. The 1962 boundary extension came after several years of unplanned residential development on the City's periphery. Largely involving Government housing projects this development created political and financial problems for the two Counties and became an ongoing financial and political burden for the City after the areas had been brought within its jurisdiction.

21. Waikato Times, 30 October 1973.

22. ibid.

23. loc.cit.

24. loc.cit.

25. loc.cit.

26. loc.cit.

27. ibid.

28. Hamilton Area Study Report, May 1972, p.18.

29. Waikato Times, 31 October, 1973.

30. loc.cit.

31. ibid.

32. At this point, local authorities around the country were protesting against the introduction of the wideranging changes to the structure of local government contained in the Local Government Bill.

33. The Municipal Association of New Zealand Incorporated, Proceedings of the 61st Conference of Delegates, April 30 - May 2, 1974, p.46.

34. loc.cit.

35. ibid., p.49.

36. loc.cit.

37. ibid., p.50.

38. This refers to the Minister of Housing's March (1974) announcement that the Government had increased its allocation for urban renewal projects. See chapter titled: Constraint 'Fine Tuning' and their Consequences.

39. This point is elucidated in Section II.

40. Press release, February 1974.

41. Waikato Times, 18 April 1974.

42. Waikato Times, 3 July 1974.

43. loc.cit.

44. loc.cit.

45. Waikato Times, 21 November 1974.

46. loc.cit.

47. loc.cit.

48. loc.cit.

49. Waikato Times, 19 November 1974.

50. loc.cit.

51. loc.cit.

52. Waikato Times, 9 May 1974.

53. loc.cit.

54. Waikato Times, 28 October 1974.

55. loc.cit.

56. Waikato Times, 20 November 1974.

57. loc.cit.

58. loc.cit.

59. loc.cit.

60. loc.cit.

61. This point is referred to in the conclusion of Section II. Shortly after the introduction of the Government's regional development policy, representatives from local authorities located in the Waikato, King Country and Thames - Coromandel regions formed a Steering Committee to formulate a plan for co-ordinating the development of their respective areas. The Committee's principal recommendation of a regional development structure within which private investment could be directed away from Hamilton City and into local authorities experiencing decline and stagnation was rejected by the Minister of Trade and Industry.

62. N.Z. Herald, 23 August 1974

63. Circular No. II, circulated by the Government Superannuation Fund, National Provident Fund and its Investment Pool.

64. Local Authority Circular No. 77, 17 February 1975.

65. Circular No. 80, National Provident Fund.

66. Circular No. 81, National Provident Fund.

67. Waikato Times, 3 June 1975.

68. loc.cit.

69. loc.cit.

70. loc.cit.

71. Waikato Times, 7 August 1975.

72. Waikato Times, 1 July 1975.

73. Waikato Times, 31 July 1975.

74. loc.cit.

75. loc.cit.

76. The following is an example of the type of building covenant or "tie" referred to:

> The Purchaser hereby covenants that he will purchase from Ellis and Burnand Limited all Timber, Wallboards and Hardware and from Maoriland Building Supplies Limited all Joinery used in connection with the erection of any dwelling to be erected on the land herein agreed to be sold. The price of such materials shall be at the current Hamilton List rates applicable.

CONCLUSION

The foregoing analysis suggests that the nature and form of New Zealand's"growth and development"is the product of negotiating processes involving a pattern of interlocking relationships on many levels of government and with private interests. Superimposed on these relationships is the cementing effect of the "market" which has a form of moral imperative of its own. Having its practical expression in the "rules of the game", the "market" circumscribes the freedom of action of both "public" and "private" decision-makers. Nevertheless, only those prepared to participate in the "market" and to sustain, and abide by its "rules" can expect to influence events and secure their respective interests. To disregard the "rules" is to invite retaliation and to jeopardise those interests. This is so equally for a company which "borrows short and lends long" as for a government attempting to regulate interest rates. The "rules" provide the framework within which centres of influence compete for strategic advantage in a process of negotiation and compromise.

The decisions that result reflect the relative positions of power of the competitors and provide advantages of one kind or another for them. The negotiated advantage permits actions to occur that result in specific steps to be taken "on the ground" - mortgage finance to be provided, sections to be sold, services provided to development areas, town or regional plans to be implemented, and so on. "Growth and development" come to have a tangible reality to both the public and organised entities such as companies, local authorities, public utilities and central governments. The political process that accompanies these events is not that of any chain of command, or of any delegated authority. It is rather that of limited jurisdictions whose principal office bearers enter into negotiation, become obliged to compromise, offer

accommodations to the interests of each party, and adopt measures to outmanoeuvre the established positions of others.

Two aspects of this process are particularly evident: first, the importance of having access to, and being able to manipulate financial and other resources; and secondly, the overarching influence of central government whose control of finance and resources reinforces its influence but whose sensitivity to the state of the country internally and externally imposes upon it the obligation to act and formulate policies that carry vicarious implications for institutions and authorities within the nation.

Labour's economic and social policies began to take shape around the time of the 1960 Industrial Development Conference. The principal premise of these policies was the necessity for a greater governmental role in national planning. This role was not to take the direction of increased central government interference in the sphere of "private" decision-making but rather of a national development strategy likely to encompass private decisions. Labour intended to create an environment within which competing interests could be induced to co-operate with one another and with the Government in a nationally planned approach to New Zealand's social and economic future. It was no longer responsible, or for that matter practical to keep up the pretence that central government was playing the passive role of securing the independence of the "market", leaving the fate of the "economy" to its "natural" laws. Such a perspective failed to recognise not only the degree to which Government already intervened in the private sector but also the effect of its policies on the nature and pattern of economic growth. The challenge, as Labour saw it, was to translate what had been essentially ad hoc government intervention in the "market" into a comprehensive policy framework within which the future development of the "public"and "private" sectors of the economy could be mutually planned and co-ordinated.

Local authorities were envisaged as playing an integral role in future national planning. They were to be encouraged through appropriate legislative measures to become more involved in town and regional planning and to participate with the central government in achieving the optimum use of the country's resources. As in the case of the private sector, the freedom of decision of local authorities was not to be infringed. Inducements, rather than direction, would be used to foster co-operation. These inducements included the removal of legislative impediments to local authorities to control their own affairs.

National regarded Labour's proposals as a threat to the "free enterprise system" and a violation of the principle of non-interference by Government in private decision-making. Left to regulate itself, the "market" would secure the "health" of the "economy". Social progress would automatically follow. It was imperative, therefore, for central government to protect the "economy" from abuses of its "market" mechanism. National reiterated this principle throughout the 1960's. At the 1968 National Development Conference, National politicians emphasised that the "economy" was to be left in the hands of those best equipped to translate "market laws" into economic decision. Central planning was not to go beyond "indicative" economic target setting and government's role was not to go beyond that of custodian of the "economy".

Despite its faith in the "market", National became increasingly involved in the affairs of the private sector, even to the point of directly regulating, albeit in a somewhat vague and informal manner, the investment decisions of large lending institutions. A "network" of decision-makers emerged representing both the "public" and "private" sectors of the economy. It was through this "network", which operated beyond public scrutiny, that economic decisions were negotiated and implemented. Negotiation was envisaged as being to the mutual advantage of both "public" and "private"

decision-makers. Private financial institutions feared the introduction of direct controls over their investment decisions, while Government felt threatened by the prospect of increased "uncontrolled" market activity.

As the financial system became increasingly sophisticated and diverse, National's monetary policies became increasingly ineffective. Despite their supposed "voluntary" acceptance by lending institutions, these policies stimulated the growth of "uncontrolled" investment activity. Non-institutional intermediaries, such as solicitors' nominee companies, joined "traditional" institutions to exploit the "market" advantages created by government controls. Thus, while the principle of "non-interference" was in practice a myth, the freedom of private financial decision remained a reality and was manifested in the "uncontrolled" market.

The effect of National's monetary policies was increasingly to jeopardise its negotiating position, or "effectiveness" within the financial system it had engendered. Its policies became suspect through introducing uncertainty over its handling of national matters and events, and were viewed by economists as the explanation for distortions and "anomalies" whereby people became the "victims" of the policies originally designed to help them. Financiers and economists alike interpreted the situation as the "market's" response to a Government which flouted the"market's" laws.

As far as Labour was concerned, National's policies had only served the interests of a wealthy minority to the detriment of the majority of New Zealanders. Opposed to National's philosophy, which subordinated "social" issues to "economic" concern, Labour was determined after winning the 1972 election to introduce policies aimed at bringing about a "balance" between "social" and "economic" progress. For the new administration, in terms of its traditional perspective, this required policies expressly geared to

securing the "public interest". Housing policies, for example, were not to be used as an "economic regulator" but be deliberately formulated to serve the needs of people while providing the basis for forward planning in the building industry.

For Labour, the "market" was not envisaged as an autonomous sphere in which the "economy's" fate was determined by "natural laws". It nevertheless recognised, and adhered to, the distinction between the "private" and "public" sectors of the "economy" and saw competition as the key to the effective implementation of its policies. For the affairs of the country to be removed from the control of a small elite, Labour argued, there had to be greater competition. So long as monetary policies fostered collusion and monopoly, and created advantages for "uncontrolled" financial intermediaries, co-ordinated activity could not be achieved nor harnessed to social objectives.

Thus, paradoxically, Labour saw in the "market" - in so far as the concept implied competition - the source of its strength. The thrust of government policy depended on government participation in, rather than regulation of the "market". Its ability to implement social policies was a corollary of its competitive involvement and its ability to negotiate with other centres of influence from a position of competitive strength. The Superannuation Fund and the State land bank were among its competitive weapons.

Labour centered responsibility for national planning in the Cabinet Committee on Policy and Priorities. This Committee was expected to co-ordinate central government policies and facilitate the development of a national development strategy. Local government was expected to play a "partnership" role in the exercise. Moves were taken,

particularly through the "Local Government Act", 1974, to provide local authorities with the structural framework within which they could both co-ordinate their own affairs and co-operate with one another in such tasks as regional planning. Local authorities, however, retained their traditional perspective of autonomy and distrust of central government. Their past experience was one of having to safeguard their interests against central government's seeking expedient political solutions to national problems by deliberately circumventing local policies if necessary.

If Labour was sincere in its offer of a "partnership" based on more control by local authorities over their own affairs, local authorities expected central government action on the provision of alternative sources of local body revenue. Local government was not prepared to carry the financial burdens associated with its "partner's" national and regional objectives. And, if the central government was to fulfil its promise of new planning legislation to ensure a greater degree of central government co-operation on local and regional planning policies, local authorities also expected to be assisted in coping with private interests in their midst. A symbiotic relationship was required.

This symbiotic relationship worked in reverse with respect to regional development. In this situation the future economic stability of remote local authorities was dependent upon their attracting private investment; however, the decisions of private companies were related to the willingness of central government to meet "infrastructure" requirements, such as housing and public services and amenities. At best, regional development was an uncertain investment both for private interests and for a central government faced with pressing and urgent demands from metropolitan centres. The order of priorities tended to neglect the dependency of remote local authorities on a decisive initiative from central government. Though

regional development councils worked conscientiously on preparing inventories of local resources and similar basic data, the effective implementation of investment was largely thwarted by the political realities faced by central government in the already growing centres.

Faced initially with problems inherited from the National administration, and widespread private speculative activity - and later by the exigencies of an economic recession - Labour came to view the policies of already growing local authorities as obstructive to the implementation of its social policies, particularly in the housing field. The "partnership", supposedly to evolve between the two levels of government, became subordinated to a "partnership" between central government and builders/developers.

As was the case for the central government, the Hamilton City Council saw land acquisition as critical to its ability to negotiate the City's affairs from a position of strength. However, for the Council the process of negotiation went beyond the need to secure its interests against those of private interests. Increasingly the Government came to be seen by City Councillors as a threat to the implementation of Council's own planning policies and to its ability to "protect the interests of ratepayers". The ownership of "strategic areas" of land was considered the main precondition for the Council's ability to play the role of "honest broker".

There was more to this strategy than the Council influencing the supply, and therefore price, of sections. "Strategic" land holdings would enable the City to reduce the scope of decision-making enjoyed by both the private sector and the central government with respect to the actual form and pattern of development. While the Council could influence such matters through its powers to regulate the location and timing of public services such as trunk mains, and its zoning powers, the actual ownership of developable

property would give it facilities outside of and beyond its legal powers and therefore greater strength in its negotiations with both private developers and Government.

As well as attempting to obtain for itself a competitive position in the local land market, the Hamilton City Council used its statutory powers as negotiating levers, or as lines of defence, as the situation required. In this context the boundary extension was the Council's main negotiating weapon for advancing the City's planning and financial interests. The support of the two adjacent counties, neither of whom was anxious to expedite the extension, gave Council the confidence to seek firm assurances from Government on a variety of matters. If "co-operation" was the policy, and given the anxiety of central government to increase the supply of low-cost and State housing in the main urban centres and its desire to maintain building activity, the Council felt Government would fall into line with its plans. Government reluctance could be countered by delaying the extension and thereby obliging it to accede to Council's requests.

While Councillors differed with one another over important issues - although seldom in an overt way as in the case of the timing over the boundary extension - they had in common the knowledge that their aims for the City depended not on the abstract process of policy formulation but on their ability to retain a strong negotiating position. More balanced regional growth, for instance, would be achieved not through the preparation of regional development policies alone, but through political action in respect of the City's boundary extension. Likewise, greater financial assistance from the Government would not be forthcoming without political pressure and opportunism.

Viewing the Council's land ambitions as a threat to its plans to hasten the production of low-cost housing,

Government moved to outflank the Council by pre-empting it to the purchase of certain areas of land. In addition, Government entered into confidential land exchanges and development deals with private companies to circumvent Hamilton's planning and servicing policies, as well as those of other local authorities.

The Government's continuing refusal to co-operate with the City and the H.R.P.A., - except at the level of local technical committees - combined with the freedom of private companies to move their capital to other locations, placed the Council in an increasingly vulnerable position. Not only was it confronted by the alliance of central government and private interests, but was coming under growing pressure from larger building companies capable of affecting its planning. As the economic situation worsened, building interests warned the Council of the consequences of further delay. They threatened to re-locate their capital to larger centres where land was available for residential development, leaving Hamilton with an unemployment problem and a financial problem for those companies dependent on the building industry. The Council was apparently forced to choose between compromising its stand on matters under negotiation with the Government and thereby paving the way for development, or risking the withdrawal of private capital from Hamilton. The risk was very real despite the alternative of urban renewal and more intensive development within the existing boundaries.

The threat to withdraw was accompanied by large building companies warning the City of the consequences of increased Government involvement in housing. They pointed to the deteriorating standards of "design and build" structures. Thus, having reached compromises with Government over low cost housing on a variety of site tenures the industry attempted to use potential consequences to persuade Council to free land for the type of housing development that promised to be both highly profitable for the industry and

more in conformity with the City's planning policies. Concurrently, they continued attempts to persuade Government to check the powers of local authorities to impose high standards of local development.

The reality of Labour's "partnership" with local authorities, in so far as the Hamilton case is concerned, became one of political stalemate. The issues involved primarily the right of the local authority to implement the planning of its periphery and to have public utilities, such as the National Roads Board and subsidising agencies, provide the financial means of constructing in appropriate order the series of developments required. The central government, in implementing a bold measure of land purchase to enhance its leverage over its competitive relation to private developers on the City's periphery, became beset with details of arrangements with the City likely to set precedents it could not afford if applied on the national scale. Central government was responsible for - and was also largely the financial instrument of - all local authority development. To set precedents in its relations to the Hamilton situation posed dangers a threatening national economy exacerbated. Within this stalemate between governments, private interests were able to move into the ongoing routine affairs of "growth and development" by way of assisting the local authority through its practical difficulties on the one hand and of influencing central government on matters that had threatened their profitability on the other.

To the extent that central government's freedom of decision was hindered by a worsening national economy and an urgency to implement its country-wide "social" policies, its ability to accommodate Hamilton's requirements was hindered by encapsulation. This encapsulation was reflected internally by increasingly frustrating negotiations, involving threats, with the City. The City, in turn encapsulated by the actions and policies of central

government and private developers, had to turn increasingly towards those resources and developmental possibilities already extant within its own jurisdiction.

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