

EVENTS AND DEBATES

How to abolish social housing? The Dutch case

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Introduction

This is the age of privatization and market orientation. Everywhere in western Europe the influence of central government on housing is being pushed back; the economic aspects of housing are regarded as more important than the social aspects; everywhere, social housing is under pressure. In new construction the proportion of social rented dwellings has in general decreased to a very modest one. In Great Britain, the right to buy was introduced in 1980, as a result of which the proportion of council housing fell from 31.1% in 1980 to 22.4% in 1990; in eastern Europe and Russia comparable strategies are being followed.

In the Netherlands the proportion of social housing is very high. More than 41% of the total housing stock belongs to this sector: a record share within the European Union. The proportion of the commercial rental sector is only 13%; the owner-occupied sector has a market share of 45% (see Table 1). In the Netherlands, too, belief in the market has taken possession of central government, and central government has numerous reasons to economize. In what follows we show how the social rented sector is being put under pressure in the Netherlands, the champion of the social rented sector. It even looks as if the Dutch social rented sector is to be abolished with effect from 1 January 1995. We shall investigate here how this has come about, without any right to buy, without political upheavals, indeed even without heated debates.

We first look at the housing corporations and the municipal housing companies, the backbones of the Dutch social rented sector. The independence of the social rented sector and that of individual housing corporations is then elucidated. We go on to show how new construction subsidies are being done away with, and how operating subsidies in the stock can disappear in one fell swoop; the so-called 'grossing and balancing' is then elaborated. In the final sections we comment on the political decision-making process and on the future of the social rented sector in the Netherlands.

Housing corporations and municipal housing companies: backbones of the Dutch social rented sector

Social rented dwellings are defined as dwellings owned by non-profit-making landlords, who manage their property within a public framework aimed at a moderate rent, an

Table 1 *Main characteristics of social rented, commercial rented and owner-occupied sectors in the Netherlands, 1989/1990*

Characteristics	Social rented ^a	Commercial rented ^b	Owner-occupied	Total
Average rent/price (Dfl/month)	432.9	502.0	184.5	
Average number of rooms	3.6	3.8	4.6	4.1
Average age of building (year)	26.4	44.5	35.0	32.7
Percentage multi-family dwellings	47.7	55.1	8.8	31.0
Average household income ($\times 1000$ Dfl/year)	29.1	32.8	45.1	36.8
Average household size (number of persons)	2.2	2.0	2.9	2.5
Average age of head of household (years)	49.4	47.6	47.3	48.2
Share in the stock (%)	41.5	13.2	45.3	100.0

^a Social rented: rented dwellings owned by housing corporations, foundations for students' and old people's accommodation and dwellings owned by the government.

^b Commercial rented: rented dwellings owned by private bodies or persons.

Source: CBS, WBO 1989/1990.

adequate quality and a focus on tenants with a below-modal income. In the Netherlands the housing corporations determine the identity of the social rented sector. They are private non-profit-making organizations that are active solely in the interests of housing. Since the Housing Act of 1901 they have occupied a position of priority with regard to social housing; they qualify for financial aid from the state. In 1990 housing corporations owned about 37% of the total housing stock.

The first housing corporations were founded in the second half of the nineteenth century to offer housing alternatives for the low-paid. Under the Housing Act of 1901 (still in force), housing corporations may be recognized as approved institutions. Many housing corporations were set up in the 1920s in particular. Housing corporations have been active in one municipality for many years. Some three-quarters of them are constituted as associations, and approximately one-quarter as foundations. At present many associations are being transformed into foundations.

Especially since 1945, housing production by housing corporations has been high, as a result of which the housing stock of housing corporations is now of relatively recent date. The quality of the stock is on average good. In addition to the many occupants with a below-modal income, hundreds of thousands of households with an above-modal income also live in social rented dwellings. On the one hand this shows that social rented dwellings in the Netherlands are also attractive to households with a relatively high income; but on the other hand, social rented dwellings are not primarily intended for this group. Central government in the Netherlands speaks of a 'mismatch'. An attempt is being made to reduce this mismatch by encouraging households with an above-modal income to move on to commercial rented dwellings and — above all — owner-occupied dwellings, and to allocate the social rented dwellings freed in this way to households with a below-modal income.

As shown in Table 1, rents in the social rented sector are on average some 15% lower than in the commercial rented sector. The dwellings in the social rented sector are on average somewhat smaller than those in the commercial rented sector. Owner-occupied dwellings are on average a whole room larger than social rented dwellings. With respect to the whole housing stock (nearly 33 years old on average), social rented dwellings are relatively young (26 years plus on average) and commercial rented dwellings relatively old (44–45 years on average). Owner-occupied dwellings are on average only slightly older than rented dwellings. Nine per cent of owner-occupied dwellings are flats. In the rented sector the proportion of flats is 48% (social rented dwellings) to 55% (commercial rented dwellings). This illustrates the fact that rented dwellings in the cities are over-represented, as are owner-occupied dwellings in the countryside.

Households in the social rented sector have an income on average only approximately 10% lower than households in commercial rented dwellings. The income of households in owner-occupied dwellings is some 50% higher than in the rented sector. Owner-occupiers relatively often have children living at home; their households are on average nearly one person larger than households in the rented sector. In the commercial rented sector households are on average 10% smaller than in the social rented sector. As regards age, the heads of households in the various housing sectors differ little from one another.

In recent decades the housing corporations have been undergoing a process of professionalization and increase in scale. By 1990 there were 864 housing corporations, of which 207 had under 600 dwellings and 141 had 4000 or more dwellings.

In addition to the housing corporations the Netherlands has a number of municipal housing companies which together manage 5% of the housing stock. These companies are now undergoing a large-scale transformation into housing corporations via a process of privatization. Between 1986 and 1990 the number of municipal housing companies decreased from 283 to 214, of which 134 owned 600 dwellings or fewer. Before 1 January 1997 they must be transformed into housing corporations if they want to receive financial support from central government.

Independence of housing corporations at sector level

In 1987 the Central Housing Fund (CFV) was instituted under the Housing Act (Section 59) with the aim of giving aid to weak housing corporations to reorganize themselves. This fund is fed by obligatory contributions from housing corporations in accordance with their means. Before the foundation of the Central Housing Fund, housing corporations in need of assistance applied to the Ministry of Housing for financial aid. The foundation of the Central Housing Fund thus contributes to the independence of the social rented sector in the Netherlands. Without government aid, the sector itself attends to the covering of risks among weak fellow-corporations. The CFV furnishes interest-free loans to corporations in need, on condition that within three years cost-effective operation is possible.

In the consultation with the local authority in the event of reorganization, the Central Housing Fund adopts the point of departure that the fund pays 50% of the costs. In view of the local authority's final responsibility for housing, the local authority is asked to pay the other 50%, irrespective of the cause of the problems.

At present, after five annual levies, the CFV manages some 2% of the total reserve of all housing corporations, a little under 400 million guilders. It is the intention that the fund should become a revolving fund.

Up to the beginning of 1994 the Central Housing Fund had given financial aid to nine corporations, that is 1% of the total number of corporations (total property 40,000 dwellings). In all, six requests for aid from corporations are now under consideration, covering a total of 16,000 dwellings. The Ministry of Housing estimates that 2.4% of all

social landlords — 16 housing corporations and 11 municipal housing companies, with a total of 95,000 dwellings — have been in a weak financial position since 1991.

The Social House-building Guarantee Fund (WSW) guarantees loans that corporations enter into on the capital market. Initially it did so only for post-war dwelling improvement, but since 1988 (abolition of government loans) this has been extended to cover all new construction and dwelling improvement. In the first instance, contributions from the corporations serve as security; in the second, local authorities and central government. Before the WSW guarantees a loan, the financial position of a corporation has to meet certain requirements.

Thanks to the 'catcher' function of central government, financial backers have great confidence in the fund, judging by the low interest on the loans guaranteed by the WSW. At present the WSW guarantees only 2% (2.6 billion guilders) of all loans in the social rented sector, and has a guarantee capital of 200 million guilders. It is expected that this amount will grow strongly in the future, especially having regard to the intended expansion of the sphere of action in relation to grossing and balancing (see below).

The relationship between CFV and WSW is a close one. The CFV's capital forms an extra security for financiers, who can be certain that the WSW does not guarantee weak corporations. To a considerable extent the CFV prevents calls being made on the WSW, but it is also in the former's interest that with a good reorganization plan the WSW (again) undertakes the financing.

The Social House-building Guarantee Fund and the Central Housing Fund embody the independence of the housing corporations in the Netherlands at sector level.

Independence of individual housing corporations

In 1993 the Social Rented Sector Management Order (BBSH) came into effect. This order indicated which performance criteria had to be met by housing corporations. Housing corporations have to be active solely in the interests of housing; they have to accommodate the target group of policy (households with an income up to the modal) on a preferential basis; they have to engage in constructive consultation with their tenants; they have to promote the quality of their property; and they have to ensure the financial continuity of the institution. With the introduction of the BBSH 1993 the administrative independence of housing corporations was shaped. At the same time numerous administrative regulations were done away with. In the BBSH the so-called 'rented sum approach' was included to replace the generic rent trend policy and the obligatory rent harmonization. Henceforth housing corporations do not have to realize a certain 'rent trend' annually (a percentage increase in rents), but a certain additional amount of rent income, expressed in guilders (the 'rented sum'). Heerma (1994: p. 5) states that 'the rented sum approach makes it possible to combine the budgetary objectives of the central government, the lasting financial development of the social lessors and the development of the price of housing to a cost-effective level at a level acceptable to all parties.' Grossing and balancing (see below) is expected to lead to an active asset management instead of subsidy-following behaviour, and to much reduced administration.

The introduction of the rented sum approach under the Social Rented Sector Management Order with effect from 1 January 1993 entailed a separation of rent policy and subsidy policy. In 1993, the first year in which the rented sum approach applied, the average rent increase was 5.2%, whereas the subsidy dismantling percentage was then set at 5.5%. Since the introduction of cuts in the public budget on the basis of the Midterm Review 1991, major maintenance has no longer been financed by central government; the housing corporations will have to foot the bill themselves. In 1994 the extra rented income is expected to be 600–700 million guilders. If this amount grows with inflation, on that

Table 2 Interest, inflation and rents in the Netherlands, 1950–95

Period	1 Capital market interest %	2 Inflation %	3 Rent increase per year trend %	4 Incl. harmonization %	3–2 Real trend rent increase	4–2 Real rent increase
1950–59	4.5	3.4		6.1	+2.7	+2.7
1960–69	5.9	4.6		7.0	+2.4	+2.4
1970–79	8.8	6.8	6.5	7.4	–0.3	+0.6
1980–89	8.7	2.8	3.8	4.8	+1.0	+2.0
1990–95	7.6	3.2	5.1	5.2	+2.0	+2.1
1950–95	7.1	4.2	5.8	6.2	+1.6	+2.0

Source: CBS/VROM; Heerma, 1994: 18.

basis a minimum of some 6.5 billion guilders (in present values) will be available for maintenance over the next 15 years.

Table 2 shows that since 1950 rents have increased on average 2.0% above inflation. Of this, 0.4% was the result of the rent harmonization policy (the effort to bring rents more into line with differences in quality) and 1.6% that of the general, nationally fixed rent trend.

At the beginning of the 1980s rent increases were coupled with steep increases in heating costs, which led to acute problems with housing costs. For the years to come an average effective rent increase for all rented dwellings at a lower level than was usual in past years is considered justified by central government and the umbrella organizations of the housing corporations. Because the risk of the *ex ante* valuation is accentuated in the first years in particular, with effect from 1995 for a period of five years the minimum rent increase as referred to in the BBSH will be set by law at 0.5% above inflation, with a minimum of 3.5%.

BWS 1995: the end of new construction subsidies in the social rented sector

The Dwelling-linked Subsidies Order (BWS) has been in force since 1992. For social rented dwellings and so-called social owner-occupied dwellings financial contributions are made annually. These subsidies are paid to the local authority, and since 1993 to the region, which can pass these contributions on to housing corporations with construction plans for new dwellings. As from 1 January 1995 the Dwelling-linked Subsidies Order (BWS) 1995 will be introduced. Under this Order limited location-linked subsidies (lump-sum contributions) and so-called 'accessibility' bonuses will be paid, but generic operating subsidies will disappear entirely. The age of unsubsidized building has therefore dawned in the social rented sector. Initial rents will then rise to such an extent that newly built dwellings will be beyond the means of occupants with a modal income, let alone lower incomes. It is in fact in question whether housing corporations will actually put sufficient investments into new construction if the generic property subsidies are abolished. For institutional investors, new construction subsidies were almost entirely eliminated in 1988. Since then they have invested hardly at all in new rented dwellings. Housing corporations are now entering into the same position as institutional investors as regards investment in new dwellings for rent. Certainly, if long-term interest rates (now

about 7%) were to rise somewhat, a shortage of new construction initiatives threatens in the rented sector, partly due to the fact that financial aid to the owner-occupied sector (unlimited deductibility of mortgage interest, subsidy on imputed rent, no capital gains tax) remains fully in effect.

Grossing and balancing: the end of operating subsidies in the stock of social rented dwellings

The BWS 1995 puts a stop to generic property subsidies in new social rented dwellings. Even more spectacular, if possible, is the so-called 'grossing and balancing' operation that as from 1 January 1995 will bring to an end the subsidies that operate in relation to the stock of social rented dwellings. We shall discuss this operation in more detail in this section and the next.

In the course of time, especially since the 1960s, the Minister of Housing has promised long-term subsidies as a contribution towards the operation of social rented dwellings. The higher the rent trend (set by Parliament every year), the lower the remaining subsidization obligation. Conversely, the lower future rent trends are, the higher will be the value of future subsidy obligations. In the 1990s the government has announced on a number of occasions that the possibilities will be examined of arriving at an *ex ante* valuation of the still outstanding property subsidy obligations from before 1992 (grossing), and of exchanging these for the still outstanding government loans (balancing). Thus at one single moment, on 1 January 1995, the housing corporations will receive the present value of future subsidies *and* repay all outstanding government loans. The government aimed at implementation of the grossing and balancing operation on the basis of 'a lasting relationship between financial privatization of the social rented sector, manageable government finances and balanced development of housing costs' (Heerma, 1994: 4).

The background to the grossing and balancing operation is that, as a result of policy decisions in the past, every year expenditure on property subsidies appears on the public housing budget, which makes a major contribution to the image of the Housing Ministry as a heavily spending department. In 1994, a sum of 6.5 billion guilders in property subsidies is involved (see Table 3). For the annual interest payments and repayments of government loans which appear on the income side of the government budget there is much less interest. If the annual expenditure on property subsidies can be scrapped in exchange for repayments of government loans (this involves a present value of subsidies of some 35 billion guilders), the result is an enormous apparent saving. And in so far as the capital per corporation falls short for internal financing, every corporation has to resort to the capital market. The advantage for central government is threefold:

- carrying through an apparent saving on the housing budget of many billions of guilders per year;
- shifting the risks of a change in interest rate and of the general rent trend from the government budget to the corporations;
- considerable simplification of the financial relations between central government and the housing corporations.

Under the Social Rented Sector Management Order 1993 (see above) the government introduced a new approach, whereby the unequivocal link between rent trend and subsidy dismantling percentage ceased to exist. This strengthened the bargaining position of central government in respect of the national umbrella organizations of the housing corporations (NWR and NCIV) and the national Municipal Housing Corporations Platform (PGWB), which in 1993 opened negotiations on the exchange of government

Table 3 *Expenditure of the Housing Ministry in the Netherlands without the impact of grossing and balancing, 1989–98 (millions of guilders)*

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
General management and miscellaneous	330	303	310	307	294	282	282	247	236	230
Property subsidies ^a	8,253	7,907	8,287	8,575	7,419	6,525	5,901	5,507	5,491	5,415
Housing allowances	1,826	1,817	1,981	1,975	2,034	2,252	2,484	2,635	2,745	2,898
Government loans	1,778	1,043	681	609	517	417	314	250	191	135
Urban renewal ^b	1,311	1,179	1,315	1,409	1,355	1,186	1,333	1,337	1,290	1,081
Total	15,800	14,688	15,119	15,571	14,401	13,334	13,005	12,591	12,602	12,328

^a For new construction and improvement.

^b Incl. main infrastructure and locational subsidies.

1989–92: implementations.

1993: budget incl. changes up to and including the 1994 Budget.

1994: budget proposal.

1995–98: long-range estimates

Source: Ministry of Housing.

loans to be repaid for housing subsidies to be claimed. On 23 October 1993 Minister Heerma concluded a grossing and balancing pre-agreement with the representatives of NWR, NCIV and PGWB, which was adopted on 16 November 1993 in Huizen. The government and local authorities further stated their readiness to cooperate in expansion of the facilities of the Social House-building Guarantee Fund (see above), and in that framework to continue to fulfil the function of tertiary 'catcher'. Simultaneously with the grossing and balancing agreements, a double decision was therefore taken on expansion of the tasks of the Social House-building Guarantee Fund. Up to now this fund has provided guarantees in the acquisition of loans on the capital market for new construction and dwelling improvement; henceforth it will also cover interest risks connected with the adaptation of interest for current loans.

With effect from 1 January 1993 the volume of the government loans still outstanding was approximately 46.9 billion guilders. In the interim several billion guilders have been repaid before the fixed date, which will rise to the sum of fl.8 billion by the end of 1995. For the whole sector the remaining government loans are sufficient to allow of balancing against subsidies. If we examine the refinancing requirement at institution level, a total requirement of 15.8 billion guilders proves to exist, which must be covered on the capital market. The refinancing demand varies from 3 million to 30 million guilders per housing corporation (see Table 4). After the Grossing and Balancing Act comes into effect on 1 January 1995 the Guarantee Fund will receive the sum of 150 million guilders from the state to cover the refinancing requirement of the housing corporations. This grossing and balancing operation takes place in the strained situation of reorganization of government finances and the lasting financial privatization of the social rented sector.

No-longer-subsidized corporation property forms more than half of the stock of social rented dwellings. This proportion will be 100% from 1995 onwards. When this is so, a rent development that increasingly ties in with the general price inflation becomes a realistic option. In the long run there is thus a prospect of rent restraint, which central

Table 4 *Refinancing requirement of housing corporations as at 1 January 1995*

Loans to be refinanced (% of outstanding government loans)	Refinancing requirements (millions of guilders)	No. of institutions
0–10	70	29
10–20	430	44
20–30	750	56
30–40	900	78
40–50	2,460	110
50–60	2,930	136
60–70	3,640	136
70–80	3,220	117
80–90	1,180	71
90–100	230	25
Total	15,810	802

Source: Ministry of Housing.

Table 5 *General reserves of housing corporations by size of property, 1986–90 (% of the rented income and government contribution)*

Year	0–600 dwellings	600–1800 dwellings	1800–4000 dwellings	4000–10,000 dwellings	10,000 and more dwellings	Total
1986	96	89	80	68		75
1987	116	97	90	77		97
1988	116	107	101	86	91	105
1989	136	115	108	95	87	115
1990	134	120	112	100	89	118

Source: DGVH/DHEW/T/TJI-HIVIS database

government, however, does not wish to link to a considerably lower subsidy dismantling percentage for the commercial rented sector, where subsidization will go on after 1994.

The development in the direction of financial privatization of housing corporations began in the 1980s when housing corporations switched to accelerated repayment of expensive government loans and the acquisition of inexpensive capital market loans with a shorter term, while retaining the high subsidies (Boelhouwer, 1992). In addition, the government followed a rent trend policy in which a rent trend was applied that considerably exceeded both inflation and income growth. The result is that the financial position of the housing corporations has been considerably strengthened since the second half of the 1980s. Tables 5 and 6 show that the smaller the housing corporation, or municipal housing company, the higher the reserve. In particular, the small municipal housing companies are rich; between 1986 and 1990 their financial reserves increased by over half. The financial position of the very large municipal housing companies is worrying, though here too an improvement has taken place in recent years.

In a letter to the Second Chamber of 27 April 1992 on the position of the general reserve, the Housing Minister sketched the prospect of the social rented sector as a revolving fund.

Table 6 *General reserves of municipal housing companies by size of property, 1986–90 (% of the rented income and government contribution)*

Year	0–600 dwellings	600–1800 dwellings	1800–4000 dwellings	4000–10,000 dwellings	10,000 and more dwellings	Total
1986	150	116	68	25		
1987	167	124	76	38		
1988	216	126	90	68	28	179
1989	230	140	88	75	47	189
1990	272	153	97	86	50	218

Source: DGVH/DHEW/T/TJI-HIVIS database.

Financial elaboration of the grossing and balancing agreement

The grossing and balancing agreement relates in principle to all property subsidies, in the form of annual contributions on behalf of the social rented sector, which will still be given as from 1 January 1995. By far the most important of these is the dynamic cost price scheme, contained in the Financial Aid to Rented Dwellings Order 1975 and the Financial Aid to Rented Dwellings (Standard Costs System) Scheme 1988. This forms (in present value) some 85% of the property subsidies still to be paid in 1995. Then follow the successive subsidized improvement schemes (about 10%), the subsidized high-level renovations 1990/1991, of which the valuation in present value is already definite (some 3–4%), and the other schemes from before 1975 (approximately 1%).

Minister Heerma and the umbrella organizations in the social rented sector (NWR, NCIV and PGWB) agreed in Huizen on 16 November 1993 to use the following parameters as a basis for the grossing and balancing operation with effect from 1 January 1995:

- inflation and operation development after conversion: 3%
- financing interest after conversion: 7%
- discount rate: 6.75%
- subsidy dismantling percentage: 5%

It is expected that lessors will be able to compensate for temporary advantages and disadvantages within the operation of their total housing property. A subsidy dismantling figure of 5% per year for subsidized dwellings and an inflation-following rent policy of 3% per year for no-longer-subsidized dwellings lead to an average necessary rent increase of 3.8% per year during the period 1995–2010. In the period 1995–2000 the percentage for the sector will be rather above the average, after which it is expected that the calculated rent increase will gradually follow inflation. The minimum rent increase will be set at 3.5%, and the individual maximum at 6.5–7.5%.

As at 1 January 1991, it proves that 28% of the housing corporations have more than 40% dwellings for which an annual long-term contribution is still being made. This problem is most severe, in relative terms, in growth centres. For these institutions a flanking policy is being formulated whereby an additional sum of 2 billion guilders is being made available.

Like it or lump it

With the grossing and balancing agreement of 16 November 1993 the negotiating delegations of the contracting parties entered into an obligation to exert themselves to

defend the result of the consultation to their respective members and to complete this process before 15 March 1994. In the Second Chamber this led to the critical question of whether in this way the right of amendment of the Second Chamber was not set aside. The Housing Minister denied this, but at the same time it became clear that both Parliament and the individual housing corporations had to like it or lump it. The Housing Minister submitted to the Housing Advisory Council the query whether the Council did not share his opinion that in this case an assessment of the content of the law, and also a recommendation on it, were not opportune, partly having regard to the way in which the grossing and balancing agreement had come about.

Minister Heerma also tried to arrive at a grossing and balancing agreement with the commercial investors organized in the Real Estate Council. In all, 70,000 investors' dwellings have been built that have been subsidized in the same way as corporation dwellings. However, Minister Heerma did not reach an agreement with the investors. The latter require that each estate must be profitable, whereas corporations accept that the financial continuity of their whole property is assessed.

Conijn (1994b) notes that 'the financial elasticity of the social rented sector, among other things for making investments, will drastically decline.' He points in particular to the unequal way in which the some 200,000 social rented dwellings that were financed before 1988 via the capital market are treated. For these dwellings the amount of compensation is considerably less than that for dynamically calculated dwellings financed with government loans. Corporations with a relatively large number of these dwellings lose several tens of millions of guilders. Conijn (1994a; 1994b) points out that there are numerous possibilities of applying equal treatment, if necessary within the same budgetary framework.

Up to now neither the Housing Minister nor the corporation umbrella organizations have showed any intention to amend the grossing and balancing agreement of 16 November 1993. Over 90% of the housing corporations have meanwhile declared themselves in favour of the grossing and balancing agreement, and Parliament too supports the plans by a large majority. Nevertheless, legal steps are now being taken by a number of housing corporations that regard themselves as severely harmed by the grossing and balancing operation.

The Dutch social rented sector after 1 January 1995

It is stated emphatically that central government is not withdrawing from housing after the grossing and balancing operation. Central government remains approachable on three core themes:

- availability of a sufficient number of dwellings at the right locations;
- affordability of the dwellings;
- quality of the dwellings.

The emphasis of government action will shift from 'caring for' to 'ensuring that'. The control will shift from 'generic' to 'specific'. The supervision of housing corporations shifts from supervision beforehand to responsibility afterwards for the social housing performance, after testing by the housing corporation's internal supervisory bodies. Grossing and balancing does not bring about any fundamental change in this relationship.

If we examine the combined effect of the introduction of the BBSH 1993, the BWS 1995 and the grossing and balancing operation, we see a strongly independent housing corporation sector on which central government has little grip. Van Velzen (1994), one of the directors of the Netherlands National Federation of Housing Associations (NWR), is not concerned about this. However, as market orientation and business economic action become more strongly emphasized, housing corporations will increasingly proceed to

behave like commercial landlords, who sell parts of their property, undertake too little new construction in unfavourable times, demolish parts of their property and vigorously engage in commercial property development, sharply jack up the rent of dwellings becoming vacant, and allow tenants a say to only a limited extent. Even speculating corporations appear to be active on the capital market, gaining and losing money with options, caps and swaps. The tradition of the housing corporations is very strong; but the future is highly uncertain.

The housing corporations in the Netherlands continue to exist. Officially they have not only economic but also social tasks. But without property subsidies for new dwellings and the housing stock they will have difficulty in achieving their social tasks. Without an adequate public framework there is every chance that the housing corporations and municipal housing companies will gradually change colour and increasingly behave like commercial landlords.

The Netherlands still has the most extensive and most differentiated social rented sector in western Europe. The question is whether by the year 2000 it will still be possible to define it as a social rented sector. The Netherlands, once the model of social house-building in Europe, could shortly be the model of the country in which the commercialization of housing has developed in the most spectacular way.

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