

Prime Minister's Housing Speech: 9 June 2022

Good afternoon,

After seventy years of an astonishing reign I think there are many reasons why Queen Elizabeth will be remembered as one of our very greatest monarchs.

But there is one particular criterion that's applied to all reigns throughout history.

What happened to the people, the condition of the people?

In the last 70 years the British people have begun to live lives that were unimaginable even to our grandparents, even our parents.

To travel the world, to communicate globally, to express ourselves – artistically, politically, culturally – as never before.

We are at the forefront of multiple waves of scientific and technical advance.

We live longer, healthier and more prosperous lives than any previous generation.

As we look back at that enormous span of history – our monarch's lifetime – we see that this progress was sometimes uneven, and sometimes achieved against serious headwinds.

An existential war, when the very independence of our country was threatened.

The Suez crisis.

Industrial disputes that tore communities apart.

Riots.

Stagflation.

The persistent scourge of high unemployment.

Today we are living in the aftermath of the worst pandemic for a century, and once again we are steering into the wind.

We face global pressures on prices caused by the lingering effects of Covid and the shock of Putin's aggression in Ukraine.

We will get through it, we will get through it just as we got through the far greater challenge of covid, and the colossal fall in output that entailed.

Our position is far better than during past economic difficulties.

People don't face the misery of the 1980s or 1990s.

Of being told in their millions that they were surplus to requirements, that there was no job that they could do.

We now have unemployment at its lowest level since 1974, and youth unemployment at or near a record low.

It is an amazing fact that we now have more job vacancies than there are unemployed workers to fill them – and that in itself feeding inflationary pressures.

I want to talk frankly about what we need to do together, so that we come through this period together, as fast and as strongly as possible.

And the first step is to understand the scale and the causes of the problem.

Everyone can see and feel the impact on household budgets.

The increases in the cost of food, the spooling digits on the petrol pumps, energy bills growing seemingly ever larger.

Much of this has been driven by problems in global supply chains that followed the pandemic.

The sudden surge in demand for gas from China, the world shortage of container ships.

Six months ago, there were good reasons to hope that the laws of supply and demand would start to operate, and that these problems would begin to abate.

The world responded for instance to the shortage of lorry drivers, for instance, by hiring more, paying them better, and giving them better conditions.

That progress was brutally interrupted on 24th of February, when Putin decided on his disastrous and unprovoked war in Ukraine.

World markets have responded with a significant spike in prices, partly driven by sanctions, partly by the elevated risk premium – the inevitable increase in what businesses have to charge to compensate for raised global levels of uncertainty.

The price of oil and gas looks likely to remain high for a while to come, and the same goes for grain and feed and fertiliser.

I know that there are some who argue – not in this country perhaps but elsewhere – that the price of supporting the Ukrainians is now too high.

And they should be encouraged to accept whatever terms Putin may ask.

I don't believe that option is really open to us.

Never mind that abandoning the Ukrainians would be morally repugnant, since

they are the victims, and they have an absolute right to defend a free and independent country.

We are simply not in a position to tell them what to do.

They have shown by their heroism that they will fight to defend their homeland, and they have shown that they will win.

Putin has made a colossal strategic error.

He has fundamentally misunderstood the psychology of his opponents, and what Ukraine really is.

He will never succeed in subduing Ukraine, and the sooner he comes to that understanding the better.

But nor should he be allowed the partial success of swallowing some of the country – as he has done before – and declaring a ceasefire.

He would be able to continue to twist the knife in the wound.

The crocodile would simply come back for more.

And he would be able to claim that his aggression and his violence had paid off.

That would be a disaster.

For Ukraine and all the other parts of the former Soviet Union that he might attack and perhaps even for countries – one thinks of Poland – beyond former Soviet boundaries, a disaster for them.

To encourage a bad peace in Ukraine is to encourage Putin and to encourage all those around the world who believe that aggression pays.

That would be a mistake that would open the door to further conflict, further instability, further global uncertainty and therefore further economic misery.

I say this because I do not believe there is a quick fix in Ukraine, and because we must continue to support the Ukrainians – as we have from the beginning – for as long as it takes.

But over time, I believe the economic consequences of the war in Ukraine will abate.

The Europeans and others who depend on Russian hydrocarbons – and we still get 15 per cent of our diesel from Russia, it was 30 per cent, it's now 15 – will find other sources.

The whole tragic experience will greatly accelerate the rush to clean, low carbon energy of all kinds.

Over time, the inflationary effects will start to diminish.

We are dealing with labour market shortages not just by reaching for the old lever of uncontrolled mass immigration

but with a points based system that gives us the workforce we need.

We're solving it by getting people off welfare and into work – 380,000 now under the Way to Work scheme

and above all by skilling up the British people – with the Lifetime skills guarantee and all the investments that this government is proud to make into colleges such as the one I am standing in today.

But we must deal with the here and now, we've got to recognise that there are pressures on household budgets that for some will prove simply unaffordable – especially when the energy price cap goes up in the autumn.

So this Government is on the side of the British public in coping with those pressures.

As the Chancellor has announced, we are directly helping the most vulnerable eight million households with cash payments worth £1,200.

Every household in the country will get £400 towards their energy costs.

Most will get a £150 council tax rebate.

Pensioners in receipt of winter fuel payments will get another £300 and disabled people will get another £150.

Taken together with funds already committed, that is £37 billion to help with the cost of living.

We have the fiscal firepower to help, and we will.

We will back Britain and we will back the British people for as long as it takes.

But there is only one reason why we can currently afford to make these enormous commitments.

And that is because we responded to the pandemic with a series of difficult but ultimately responsible decisions.

First we protected families and businesses with a package of support worth about £400 billion that was among the most generous in the world.

Then, having rolled out vaccines faster than any other European country, we were able to open up our economy faster –

and that is why we have had such a rapid rebound in employment and last year were the fastest growing G7 economy.

It is that fundamental strength – the tax base of a high wage, high skill, low unemployment economy – that enables us to look after the British people.

That is how we can afford to cover the costs.

We will continue to do what we can for as long as it takes.

That was the pledge I made to you during Covid.

We delivered, and we will deliver again.

At the same time we must face some realities.

The first is that no Government in the world can afford to use taxpayers' money to shield everyone completely from the increased costs caused by powerful global forces.

When we protected the population during Covid, the package of help was massively progressive, in the sense that it went overwhelmingly to the most vulnerable households.

We will do the same in the aftershocks of Covid.

We will get the right balance between spending what we can afford now and ensuring there's a healthy economy to look forward to when pressures abate.

And while some support will of course be universal, the bulk will be targeted at those who need it most.

I think that approach is right and is supported by the vast majority of people in this country.

The second reality is that when you face inflationary pressure, you can't just spend your way out of it.

On the contrary, you have to be careful not to add to inflationary pressure.

We are constrained in what we can do not just by the fiscal position – the risk of borrowing too much – but by the risk that we will fan the flames of further price increases.

Which brings us to the third reality.

That we cannot fix the increase in the cost of living just by increasing wages to match the surge in prices.

I think it is naturally a good thing for wages to go up naturally, as skills and productivity increase. That's what we want to see.

And yes, we have been increasing wages: with a record increase in the Living Wage, and the changes to Universal credit.

But when a country faces an inflationary problem, you can't just pay more or spend more.

You have to find ways of tackling the underlying causes of inflation.

If wages continually chase the increase in prices, then we risk a wage-price spiral such as this country experienced in the 1970s – stagflation – that is inflation combined with stagnant economic growth.

When a wage-price spiral begins, there is only one cure.

And that is to slam the brakes on rising prices with higher interest rates.

That has an immediate impact on mortgages and rents.

It puts up the cost of borrowing for business.

It is bad for investment and growth.

It is bad for jobs.

It is bad for everyone.

And, of course, the increase in interest rates considerably increases the cost of borrowing for government.

We are already spending £83 billion this year alone in servicing our debts.

Every extra percentage point in interest payments is another £21 billion that has to go on paying lenders for our borrowing.

That is money that will have to be paid back by our children and grandchildren.

It is money that could go on schools and hospitals.

We have the tools we need to get on top of rising prices.

The global headwinds are strong.

But our engines – the great, supercharged, ultragreen marine propulsion units of the UK economy – are stronger, we will get through it.

And, while it's not going to be quick or easy, you can be confident that things will get better, that we will emerge from this a strong country with a healthy economy.

That won't happen if we continue to apply the same mindset that we had during covid: that the answer to every problem is more state spending.

We are already engaged in the biggest package of infrastructure investment for more than a century.

We are transforming our railways, our roads, we are investing massively in skills, in research and technology.

We are making communities safer – those 13,576 police of the 20,000 we promised are already helping to bring neighbourhood crime down by 31 per cent.

We are tackling the covid backlogs – hiring thousands more doctors and nurses to speed up treatments.

We are opening community diagnostic hubs across the country so that you get the scan or test you need, but faster.

We are fixing social care, so that we can end delayed discharges.

Far too many hospital beds are occupied by patients who could be better cared for elsewhere.

We're investing in education, huge sums in defence, in the agenda on which this Government was elected, to unite and level up across our country.

And we're keeping the promises that will make a difference to millions of lives over the next decade and long into the future.

But it costs money.

Prodigious sums.

The overall burden of taxation is now very high – and sooner or later, and I would much rather it was sooner than later, that burden must come down.

This burden is an aberration caused in no small part by the fiscal meteorite of Covid, and it must come down because the answer to the current economic predicament is not more tax and more spending.

The answer is economic growth.

You can't spend your way out of inflation, and you can't tax your way into growth.

So that is why the time has come for this Government to do what it has been straining at the leash to do for the last two years, but which has been difficult because of the covid crisis.

And that is to enact the supply side reforms that will cut costs for government, cut costs for business and cut costs for people across the country.

Let me take them in that order.

It cannot be right that the size of central government has increased by 23 per cent since 2015.

There are 91,000 more officials than there were.

I believe we have the best civil service in the world – but in view of the pressures on families, we must now find efficiencies and prune Whitehall back to the size it was only five or six years ago.

Something we can achieve without harming the public services they deliver.

And in expanding and encouraging the private sector, it is time for the government to stop spending, and to start cutting taxes and cutting regulation.

This has been an era of phenomenal corporate welfare.

From PPE contracts that were driven by the desperation of the pandemic, to billions of pounds invested – driven by the same desperation – in vaccines and anti-virals, to the whole array of businesses that were, quite rightly, supported and by furlough and Bounce Back Loans and all the rest of the programmes.

Of course this government will continue to invest in the bedrock on which businesses build their foundations: in infrastructure, skills and technology.

But sometimes the best way that Government can help is simply to get out of the way. To do less or better, or simply not at all.

If government has billions, the markets have trillions, and we need to see more of that investment by businesses here in the UK.

That is why we are now taking advantage of Brexit freedoms and accelerating reform of Solvency 2 – a one-size-fits-all EU diktat which has been unnecessarily preventing insurance and pension funds and others from making giant investments in UK firms and in infrastructure.

We have put in a superdeduction of 130 per cent on capital investment, giving UK firms an unparalleled opportunity to invest.

We are opening freeports around the country, with low tax arrangements and special planning regimes to enable growth and investment.

We can turbo-charge the City by rewriting and improving EU regulations such as MIFID 2.

Now we need to go further and we will, identifying all the ways in which government rules and regulations are pushing up costs for business, increasing prices for everyone in this country.

Over the next few weeks this Government will be setting out reforms to help people cut costs in every area of household expenditure, from food to energy to childcare to transport and housing.

And we will do this despite any complaints that there may be from those who are want to preserve the status quo because this is a Government that is firmly on your side.

We are on the side of British farmers. We need to grow and eat more of our own food in this country and it is sensible to protect British agriculture from cut price or substandard food from overseas

But we are also on the side of British consumers

We do not grow many olives in this country that I'm aware of.

Why do we have a tariff of 93p per kilo on Turkish olive oil?

Why do we have a tariff on bananas? This is a truly amazing and versatile country, but as far as I know we don't grow many bananas, not even in Blackpool.

We are on your side in tackling fuel bills, and not just with cash help that I've set out just now.

We have cut fuel duty already by a record amount – and we want to make sure businesses pass on savings to consumers whether at the pumps or in the supermarkets or anywhere else

and I know many businesses can see the wisdom of protecting their customers rather than simply taking profits now.

One of the ways of course to reduce energy costs is to increase supply.

That is why the British energy security strategy is going for a step change in the quantity of wind power we generate – 50 GW by 2030, returning the UK to the status of the number one offshore wind power producer in the world.

We are undoing the mistakes of many previous governments, and building a new nuclear reactor every year rather than one every ten years, along with many other reforms.

Over the next few years, this will have a dramatic effect on the UK's power output – one that will be immensely beneficial for consumers and business alike.

We are on your side in cutting the cost of transport, not just with the fantastic investments we are making

It is time for us all to grasp the nettle of reform, and move – sensibly and responsibly – to the end of some outdated working practices.

There are fully manned ticket offices in this country that barely sell a ticket a week.

Ten years ago, as Chairman of Transport for London, I moved to take advantage of new technology by closing those ticket offices on the underground.

It was initially painful and the union chiefs predicted catastrophe, but we successfully made the argument that staff were better and more productively deployed on the platforms, interacting with the public.

The time has come to do the same thing across the transport network.

The union barons will once again protest.

But the winners will be railway staff – whose industry will be placed on a much sounder long-term footing – and the fare-paying travelling public.

We are on your side in cutting the costs of childcare, by making it easier to be a child-minder, and making sure parents make the most of their tax-free childcare allowances that already exist but aren't taken up.

All these costs and more we will address in the coming weeks.

But today I want to talk about the single biggest chunk of household expenditure – and that is the cost of housing itself.

Just this year alone the price of a home in the UK has soared by an average of 9.8 per cent to an average of £278,000 – £24,000 higher than this time last year.

And in 2021, prices rose faster than wages – so that if you're one of the millions on the outside of the market looking in, for every week and month that goes by, the dream of ownership recedes further into the distance.

The average age of first-time buyers has been rising continuously, the proportion of young people who can afford to buy their own home has been falling.

Between 2005 and 2016, the proportion of 25 to 34-year-olds who owned their own home fell by 20 per cent – whereas in almost every other country in Europe that proportion was actually rising.

It's true that we still have higher rates of overall home ownership – just ahead of France, and ahead of Germany.

It's true we're building as fast as we can, and after a sustained decline in home ownership rates under the last Labour government, that rate is now starting to climb thanks in part to our decisive action to support first time buyers and build more homes.

Last year there were over 400,000 first time buyers of property, a 20-year high.

But the raw numbers disguise the fact that home ownership is overwhelmingly concentrated among the over-65s, those who were able to buy in an era when housing was much cheaper.

If you look at the Millennial generation, I can see some millennials here, just 31 per cent own their own homes in the UK.

In France that figure is 41 per cent.

Partly this is a function of supply.

When Labour last left office in 2010 they famously confessed that there was no money left

They also handed us record low levels of housebuilding.

We've been sorting that out ever since – thanks to planning reforms over the

past decade, housebuilding rates hit a 20 year high just before covid struck.

Although not in the capital, I should add, where Londoners need their present mayor to get building at the speed and scale achieved by his immediate predecessor.

But despite the progress across much of the country we remain one of the slowest and least prolific home-building countries among all the 28 members of the OECD.

Since 1970, France has built 16.7 million homes, whereas we have built just 8.9 million in the UK – and in that period our population has grown by more than 12 million people. It's not true that there is not space for these, there are places we can build.

So Michael Gove has been developing plans to work hand in hand with local communities across England to build more of the right homes in the right places.

We are going to put more publicly owned brownfield land to use and seek to unlock small sites that are ideal for the kind of unobtrusive development that communities welcome, with priority for first-time buyers and key workers.

We are supporting self-build and custom-build homes, as has long been proposed by my colleague Richard Bacon.

And we will sensitively make use of existing planning rights, for example by making it easier to turn disused agricultural buildings into homes for local first-time buyers, and to support farmers in growing and diversifying their businesses.

But it is not enough just to build more homes.

We need also to recognise that while the people of this country overwhelmingly want the chance to own their own home, for too many the finance required is simply not available.

The challenge facing first-time buyers today is far greater than anything we have seen before.

20 years ago – in 2002 – a home cost average four and a half times your income.

Today that multiple has risen to nine times your income.

We have a ludicrous situation whereby plenty of younger people could afford to make monthly payments – they're earning enough to cover astronomical rent bills – but the ever-spiralling price of a house or flat has so inflated deposit requirements that saving even just 10 per cent is a wholly unrealistic proposition for them.

First-time buyers are trying to hit a continually moving target.

And of course the global rise in the cost of living is only making life harder for savers.

So we want it to be easier to get a mortgage.

Working with lenders so that they recognise the credit worthiness of tenants with a track record of paying their rent on time.

Making sure that the self-employed also get the mortgages they need.

This Government has made sure that there is a healthy supply of 95 per cent mortgages. Tens of thousands of first time buyers have since bought their home thanks to our mortgage guarantee scheme

But we'd like to go further.

So today I can announce a comprehensive review of the mortgage market.

Reporting back this Autumn it will look at how we can give our nation of aspiring homeowners better access to low-deposit mortgages, and what our own mortgage industry can learn from counterparts around the world who have all kind of alternative ways of offering finance, managing risk, and unbolting the door to ownership.

And just as no generation should be locked out of home ownership because of when they were born, so nobody should be barred from that same dream simply because of where they live now.

For four decades it has been possible for council home tenants to use a discount to buy the property they live in.

Over that time almost two million people have been helped into home ownership.

They have switched identities and psychology, from being dependent on the state for every repair – from damp-proofing to a new front door – to being in charge of their own family home, able to make improvements and add value as they please.

For various reasons the number of tenants who actually use this freedom has been steadily diminishing.

So now is the moment to widen the possibilities, and to give greater freedoms to those who yearn to buy.

I want us to deliver on the long-standing commitment, made by several governments, to extend the right to buy to housing associations.

There are still 1.6 million households living in council homes.

But there are now 2.5 million households whose homes belong to housing associations – and they are trapped.

They cannot buy, they don't have the security of ownership, they cannot treat their home as their own or make the improvements they want.

And while some housing associations are excellent, others have been known to treat their tenants with a scandalous indifference.

So it's time for change.

Over the coming months we will work with the sector to bring forward a new Right to Buy scheme.

It will work for tenants, giving millions more the chance to own their home.

It will work for taxpayers: responsibly capped at a level that is fully paid for; affordable within our existing spending plans, and with one-for-one replacement of each social housing property sold.

Even as we deliver this home ownership revolution, we will continue with our revolution in renters' rights.

As the fifth anniversary of the Grenfell tragedy approaches, we need no reminders of the importance of landlords listening to and working with their tenants.

Which is why we're giving tenants across the social and private sector better homes, greater security and access to the kind of justice we all deserve but which many are currently denied.

We're also dealing with the scourge of unfair leasehold terms, often every bit as onerous as the conditions imposed upon tenants by landlords but applied to those who as homeowners should have far greater control over their homes and their lives.

In this Parliament we will supercharge leaseholders' ability to buy their freehold, helping 4.6 million households genuinely to own their own home with discounts of up to 90 per cent for those trapped with agious, escalating ground rents.

We will finish the right to own reforms Margaret Thatcher began in the 1980s, ending the absurd position where first time buyers spend their life savings on flats, only to find themselves being charged hundreds of pounds for painting their own doors or unable even to own a pet dog.

That's what being on your side is all about.

When ownership remains beyond the reach of a great many hard-working people, it's neither right nor fair to put ever-vaster sums of taxpayer's money straight into the pockets of landlords.

The total bill for Housing Support stands at about £30 billion each year, and the Office for Budget responsibility has warned that if we don't take action, it could reach £50 billion by 2050.

That is cash, taxpayer's cash that is being simply swallowed to pay the mortgages of private sector landlords or by housing associations.

It is time to put this huge wall of money, taxpayers' money to better use.

It is time to turn benefits to bricks.

So we will look to change the rules on welfare so that the 1.5 million working people who are in receipt of housing benefits and want to buy their first home will be given a new choice:

to spend their benefit on rent as now, or put it towards a first-ever mortgage.

Doing so removes a significant barrier that currently prevents hundreds of thousands of families from buying their own home.

To remove another we're going to explore discounting Lifetime and Help to Buy ISA savings from Universal Credit eligibility rules.

Not letting anyone claim benefits while sitting on vast savings pots that they could be drawing on. That's not the people we're targeting here.

But making it easier for hard-working people to put away a little each month until they have enough for a deposit on their first home.

To help keep people in a home if they're unfortunate enough to become unemployed, we're going to let people access support for paying their mortgage that much earlier that is presently the case.

And last of all we're going to look at how we can securitise some of that colossal £30 billion housing benefits bill, so we can build more social homes with the potential for Right to Buy.

Taken together these measures will not only help us to build more homes in the right places, but will help millions more people realise what is currently an unattainable dream of home ownership, and that will be of massive benefit to them, social benefit to this country.

and of course it will be of economic benefit as well

we are on your side in cutting costs of childcare

on your side in cutting costs of fuel bills

on your side in cutting transport costs

on your side on cutting costs of home ownership

on your side in cutting the tax bill as fast as we responsibly can

and when you cut these costs you drive productivity and growth

and in spite of all the price increases we face

we know that we will get through them as we've got through previous pressures and emerge stronger the other side

because that is our plan for a stronger economy

by tackling the cost of living in all the ways I have set out and more

by keeping our borrowing and debt under control – giving us the scope to cut taxes both on people, on families and of course on business

and backing businesses to grow and invest in this country in the way that they are, look at colossal sums coming in

We are easily the biggest destination for tech investment anywhere in Europe, as much as Germany France and Israel combined.

and by continuing to secure and drive the benefits of Brexit across the whole of the UK – from freeports to financial services

we will continue to make sure the people of this country achieve and continue to achieve the security and happiness of high wage high skill jobs in ever greater numbers

That's what we're achieving now and that is how we will continue to achieve, and it's that plan that will mean that we will be able to get on with the mission on which this Government was elected and unite and level up across the country

so that no matter where you are born or what your background

we will give you the chance to fulfil your potential

with a plan for a stronger economy that has all the makings of the strongest and most prosperous in Europe.