

## **The impact of immigration on Auckland NZ housing and infrastructure**

By John Rofe, 26 May 2016

### **Background**

During the last 20 years the number of immigrants from Asia has swelled. This has been assisted in part by the commercialisation and privatisation of sections of the education system. The increased numbers have led to increased visibility and also an increased share of both the residency of, and home ownership in numerous Auckland suburbs.

“Family reunification” provisions in legislation allow for parents to be brought into New Zealand under certain circumstances. But the arrangements give preference to those persons who have only one child. This ignores the fact that we now support numerous elderly immigrants from countries where superannuation is unknown and/or no reciprocity exists. China has no social welfare worthy of note, let alone superannuation.

Under the family size restrictions in China, this means that most if not all Chinese students arriving in New Zealand and moving on to “permanent residency” status and then an NZ Passport, are eligible to apply. Often a young couple will import both sets of parents.

This is not the same for most other ethnicities and nationalities. It is this circumstance the large pool of elderly immigrants gives enhanced visibility to Chinese immigration, rather than racism. Indeed, it could be that the elderly immigrants of Chinese origin receive an extraordinary advantage solely because of that...and I will elaborate fully on this in due course.

Auckland – to the best of my knowledge has never had negative immigration...well not since WW2. This is because, while far less than 40% of people leaving NZ come from Auckland, far more than 60% of immigrants settle here.

### **Asians settling in Auckland in excess of 75% of the total**

Also arguably, the proportion of Asians that settle in Auckland would be in excess of 75% of the total. Of the total immigrants – other than those recruited to attend educational institutions - a small number arrive as refugees and have little impact on housing and infrastructure after assimilation.

There has never been a time since WW2 when growth in infrastructure has not been a major issue for Auckland and it has often been impeded or frustrated by national politicians from both major parties. (ie. remember Robbie’s rapid rail)

Some immigrants arrive from places like South Africa and Zimbabwe, where changing political systems make migration desirable. Although they also have an impact on demand for housing etc, they often tend to be of European descent and therefore “don’t stand out” to other citizens. Similarly those who migrate here from Europe or USA tend to have arrived either as wealthy people looking for a “bolt hole” or as people looking to enjoy “our way of life” – or rather their perception of it.

Many Kiwis are now returning home after an OE or due to changed economic circumstances in their country of origin.

All in all there are now some 65,000 net migrants each year of whom most will choose to settle in Auckland. In all, by 2030 the New Zealand population may be over 5 million and the Auckland population over 2 million – ratcheted up by the preference of immigrants for Auckland.

### **Try getting onto a hospital waiting list**

The burden on Auckland is largely being left to Aucklanders to foot the bill for infrastructure and transport growth; and to tolerate declining amenity values from a range of things from revised zoning to stretched health services. Try actually getting onto a hospital waiting list! (The length of waiting lists and duration of delay are less significant and criteria are determined by edicts from Wellington instead of doctors)

After 20 years of debilitating growth, Aucklanders are questioning the logic of what is happening and the focus is falling on Chinese because of their visibility at auctions as the successful bidders... and as landlords (based on both numbers of properties let and the lesser standards of maintenance they apply to many rental houses). Further, the elderly parents are visible in the streets of many middle class suburbs, perhaps exercising, perhaps as child minders for children and as attendees at health clinics and passengers on bus, train and ferry. A few Chinese elderly are now starting to spill over into retirement villages and state rental units.

### **Government does not accept the reality**

With eyes wide shut, Government does not appear to accept the reality of this situation. One may suppose some of the reasons for this are as follows:

1. Immigrant students are actively recruited to swell school rolls and add to the economy. Without them, the sector would suffer hardship and many education providers would become insolvent due to falling rolls versus fixed costs.
2. Immigrant money bids up the housing market, providing a wealth effect for all homeowners as well as stimulating the construction industry.
3. The immigrant's money provides for extra business capital.
4. New skills and language competencies are being imported. The Christchurch rebuild could not have happened without skilled immigrant labour.
5. A high proportion of those who come to study in New Zealand stay on as permanent residents – eventually NZ citizens, and commit their labour and wealth to integrating into society...doing so in a highly effective way.

Government ministers and MPs with Auckland electorates will appreciate the work load that comes with dealing with immigration issues. If any had travelled on their own buses, trains or ferries during the day, they would also have seen the legions of elderly Chinese and wondered who is paying for their care – but obviously they do not.

Indicative numbers can be easily sourced by looking at any area.

### **40% of homes owned by Chinese immigrants**

In the writer's street and immediate vicinity, 40% of homes are owned by Chinese immigrants (of which about 50% are absentee landlords). 20% are owned by immigrants of Indian ethnicity and 40% by kiwis. In the street immediately parallel 50% of houses opposite ours are owned or occupied by people of Indian ethnicity, 40% European and 10% Chinese. This has not occurred in a hurry but over about 25 years. Auckland's growth has been exponential and successive governments have pandered to various business interests. At first it was English workers, then it was Pacific Islanders to fill the factories, then when manufacturing was outsourced to Asia, then Asians.

Ignorance of the ethnicity of children on school rolls probably accounts for some national politicians' being unaware of the impact of immigration yet the headline immigration statistics should have sufficed.

Also, China has a limit of US\$50,000 on funds that can be taken offshore. So it is from that alone that government could presume a low impact on buying from Chinese immigrants.

### **Plausible deniability**

Unfortunately, despite the ease with which one can label the revelation of the realities affecting Auckland as "racism", National Party politicians have seemingly pushed the envelope of plausible deniability a little bit too far.

How did all the Chinese owning so much property come to own it, if they did not buy it? Certainly the latest stats don't provide an answer. Just more of the stuff that belongs on dairy farm paddocks perhaps?

National politicians want the Auckland ratepayers to ignore the evidence of their eyes on who owns the neighbourhood's houses and to ignore the expanding council debt and rates hikes which have recently been, and in the future will be needed to fund the breakneck rate of growth required to meet demand.

The sheer numbers of the elderly Chinese immigrants, qualifying now each year for National Superannuation and Community Services Card benefits, can only be ignored for so long. The backlog of elderly immigrants waiting out their 10 years – usually living with their children and often looking after their grandchildren in the meantime – will doubtless continue to grow.

Politicians expect voters to ignore the numerous and repeated reports in international media (that I have seen many of) that house prices are being grossly inflated in London, New York, LA, Sydney, Brisbane, Vancouver, Melbourne etc by Chinese buyers, many of whom are now known to be absentee property owners. If it happens there, why not here?

Perhaps Mr Key does not read the international press on such matters, or discuss with the Australian Prime Minister, the Australian public's concerns about back door entry of New Zealand's Asian immigrants into Australia? Yet we know it is an issue there too.

## **The downside**

The downside of current immigration policies is:

1. The Auckland housing build cannot possibly match the current ongoing exponential rate of growth in immigration.
2. Auckland is approaching gridlock and Government ministers point their finger at failures within Auckland Council, rather than accepting the responsibility for the policies that exacerbate demand.
3. The burden on the health and welfare sectors in Auckland from elderly immigrants is large but also growing exponentially.
4. Most Chinese students did not select New Zealand as their choice of study or career prospects. So the drift to Australia and elsewhere, once they have NZ Passports, is understandable. Now NZ is regarded as the back door for entry to Australia. More elderly are going to be left in Auckland to the care of the state as a result.
5. Prudential financial regulations are hurting first home buyers and this will not get easier for them. Not only are elderly existing Auckland residents leaving town, but so are young productive workers.
6. Now the RBNZ has selectively stated (and categorically done so) that the vast bulk of young indigenous first home buyers cannot be allowed raise enough bank finance to enter the Auckland housing market. To hedge against default risks.
7. The hundreds of homeless beggars on the streets or families living in cars are indigenous New Zealanders with Pakeha, Maori and Pacific whakapapa. Auckland even has no homeless shelter. Yet we want to shelter the world?

The recent so-called official stats provided for a period when many Chinese had been put on hold to register for IRD numbers, bear no relationship to the reality on the ground – although in Parnell, Herne Bay and Remuera they may do so.

## **How did this happen? And will things improve?**

We live in a country that like in many OECD countries, employs private sector experts to consult on law. Whether it is banking, justice, tax or immigration, this gives them a competitive advantage because they can then go and advise their clients how to get around the laws. The revolving door between government and private sector should mean that this is no surprise to the Mandarins of Wellington. Yet they continually presume that their law is robust. It is no different with immigration.

There has been a confluence of circumstances. It is wrong to ascribe blame to immigrants because New Zealand policy is deficient – and has been for the last 20 years. The fact that people see something as being to their advantage is what every migrant would have considered since the coming of our ancestors to these shores. They effectively enter into a contract to come here under the umbrella of existing politics, mores and regulations as they are affected by them.

Sure the Chinese have the extraordinary advantage of a “One Child” policy... so I can describe how things work for them. They are the only ethnic group for whom I believe reasonably accurate details of a uniform process have been provided to me. But I must reinforce the fact that all immigrants are advantaged by New Zealand policy frameworks that were originally targeted at attracting people to replace those young folks who left our shores.

The upside of those policies never really helped Auckland deal with growth but the downside has adversely affected Auckland.

An urgent review is needed so the disproportionate demand-side issues affecting Auckland can be addressed .

***Disclaimer: I can only go on the detail of what a couple of young Chinese have carefully explained to me and this is not the sort of subject that one citizen may question another on. So while the information is probably very accurate, it may prove not applicable in some individual instances. It certainly requires official verification...***

1. Choice of country. It is well known in (at least) some Chinese cities that New Zealand is an excellent place to retire to, and, after a qualifying period of ten years up to age 65yrs, the older adults can universally expect full generous retirement allowances from the New Zealand government, equal to those received by the wider NZ population who have been paying taxes all their working lives. There are emigration consultancies in China who are fully aware of the rules and are known to advise prospective travellers to leave funds in China, or park them with children if they wish to qualify for a Community Services card and gain access to government housing. So the choice of country of destination for study is usually made by the parents of children who come to study in New Zealand.
2. The parents often first visit as a tourist, to spy out the lie of the land.
3. If there is any reticence over the probability of success for their child getting citizenship, they are emphatically reassured by the recruiters for NZ educational institutions that they can expect a smooth path to citizenship if they choose to come, learn and stay in NZ. They are kept advised of changes to NZ requirements for “family reunification” rules and criteria by their local emigration adviser.
4. After a period of residency and study, students typically get a Permanent Resident endorsement in their overseas passport and this is able to be used to sponsor their parents to visit. Then later they may apply for a NZ Passport.
5. If the child wishes to go overseas, they may still honour their obligations to import their parents into New Zealand and sometimes leave New Zealand to work overseas, even before their parents are eventually granted their own NZ Passport.
6. Houses in Auckland are routinely bought by impecunious Chinese students for substantial sums on behalf of their parents. However I am also told other house ownership structures are used for both asset concealment (here and there) and so that the parent has sufficient funds to qualify for access under “family reunification”.
7. As Premier Xi Jinping tightens controls over the Chinese media (which is now accountable direct to the CCP), fraud, unauthorised money flows etc.; the attractiveness

of NZ increases. But will Chinese regulations actually reduce numbers? That remains unknown.

8. In 2015, it is openly reported that over US\$750 billion left China in unauthorised money flows, much inflating the property values in the capital cities within selected OECD countries. I have seen reports from analysts who suggest that the informal/unauthorised sums exported may fall to around /below US\$500 billion in 2016, depending on Chinese policy and controls. I think we can presume safely that plenty of this money hits our shores! Even so, there are now signs of reduced Chinese buying in Australia and London.

Internationally, the phenomenon of Chinese buying is driven by the perceived need to extract money from within the totalitarian society and place it in a secure offshore location. The phenomenon is credited with property bubbles in those key cities. The huge inflows of Chinese money may be partly to blame, but as property prices have risen, the central banks have been dropping interest rates to unprecedented lows.

The reason for reduction of interest rates elsewhere, was to stimulate consumer demand and overcome economic stagnation, which is not apparent at the same level in New Zealand. Yet the RBNZ is slowly reducing interest rates as deflation also becomes an enduring issue for us.

2017 will be different for reasons I won't go into here. But new restrictions on the availability of funds for young Kiwis to buy their first house, when the immigrant flood is yet unchecked, will prove more divisive than it appears already.

### **Supply side efforts are simply not enough**

In any review of immigration policy, it will be impractical and I suppose illegal, to target different ethnicities within legislative changes, so the Government must face up to dealing with applications from all aspiring immigrants. Supply side efforts are simply not enough and have already failed Auckland.

So far, the National Government has left everything to Local Government or to fiscal control measures under the RBNZ. This is a cop out. Neither can cope. Nor should the interest of young New Zealanders be abandoned just because the task is difficult. Perhaps the New Zealand Government can be embarrassed into taking a proactive stance and not hanging out to dry the Auckland Council, its ratepayers and aspiring first home buyers?

This short essay is not about criticising Chinese immigrants (who, not only have done nothing wrong, but also are proving to be excellent citizens), it is about recognising the unintended consequences and shortfalls of existing Government policy and rectifying it.

Meantime, the "hated/despised JAFAs" have been joined by another sub class within NZ society, called the JAARs (Just Another Auckland Refugee). We Aucklanders all know young and old friends and family members who have relocated elsewhere and therefore inflated

property values in Hamilton and Tauranga...and further afield. It isn't just congestion or the cost of rates and utilities that drives people out of Auckland, but a collapse of income from savings and investments that forces older people out.

Bullying Auckland into accepting worse zoning, transport, amenity and environmental conditions is definitely not the way forward.

It is a hard road to tread, but we do elect and expect Government to tread it.

Meantime how many of the 1 million new Chinese tourists Prime Minister Key is to recruit to tour NZ will actually join our numbers permanently? Like the UK....

<http://www.telegraph.co.uk/news/2016/05/12/the-gap-between-official-migrant-figures-and-the-truth-is-as-wid/>

Supply-side tinkering will not cut it. But then, nor will knee-jerk reactions on the demand-side issues help. I argue the immigration status quo is not tenable.

The introduction of family reunification only for immigrants from countries where there is superannuation and reciprocity would be a good start (other than for refugees and distressed persons of course).

It seems time for a comprehensive review of immigration rules.