

The Senate

Economics
References Committee

Out of reach?
The Australian housing affordability challenge

May 2015

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Abbreviations

ABA	Australian Bankers' Association
ABCB	Australian Building Codes Board
ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Services
ACSA	Aged and Community Services Australia
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ASFA	Association of Superannuation Funds of Australia
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BCA	Building Code of Australia
CFR	Council of Financial Regulators
CFRC	City Futures Research Centre
CGT	Capital Gains Tax
CHURP	Centre for Housing, Urban and Regional Planning, University of Adelaide
COAG	Council of Australian Governments
COTA	Council of the Ageing
CPSA	Combined Pensioners & Superannuants Association of NSW
CRA	Commonwealth Rent Assistance
DSS	Department of Social Services
DTI	Debt-to-income

FHOG	First Home Owner Grant
FHSA	First Home Saver Account
FIRB	Foreign Investment Review Board
GST	Goods and Services Tax
HIA	Housing Industry Association
HSAR	Housing Supply and Affordability Reform
HSB	Housing Supply Bonds
IBA	Indigenous Business Australia
LGAQ	Local Government Association of Queensland
LTV	Loan-to-value
LVR	Loan-to-value ratio
MBA	Master Builders Australia
MISHA	Michael's Intensive Supported Housing Accord
NAHA	National Affordable Housing Agreement
NCC	National Construction Code
NFP	Not-for-profit
NHSC	National Housing Supply Council
NPAH	National Partnership Agreement on Homelessness
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NRAS	National Rental Affordability Scheme
OECD	Organisation for Economic Co-operation and Development
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
RDC	Residential Development Council, Property Council of Australia
SOMIH	State owned and managed Indigenous housing

REIA Real Estate Institute of Australia
UDIA Urban Development Institute of Australia
WALGA Western Australian Local Government Association

Executive summary

In this report, the committee underscores the importance of affordable, secure and suitable housing as a vital determinant of wellbeing. But, based on the evidence, the committee finds that a significant number of Australians are not enjoying the security and comfort of affordable and appropriate housing—that currently Australia's housing market is not meeting the needs of all Australians.

Sustained growth in median housing costs above the rate of median household income growth in recent decades has made it increasingly difficult for a growing proportion of Australians to afford housing that is safe, secure and appropriate to their needs. Added to the general decline in housing affordability, and indeed compounding the trend, the stock of affordable housing—that is, housing appropriate to the needs of low- to moderate-income households—has failed to keep pace with demand in recent decades.

The committee does not believe the issue of housing affordability in Australia is rightly categorised as either a 'supply-side problem' or a 'demand-side problem'. With this in mind, it is clearly evident that supply is currently not keeping pace with demand in the housing market. In this context, policy interventions that add to demand without addressing or at least accounting for supply-side constraints risk inflating house prices and exacerbating affordability problems.

Worsening housing affordability is reflected in declining home ownership rates. This decline is troubling for a number of reasons, not least because home ownership can be an important means for people to achieve financial and social wellbeing. Moreover, high rates of home ownership also provide broader economic and social benefits to the community. As such, while the committee believes governments should work to improve affordability outcomes for all types of housing tenure, it considers it appropriate for governments to promote home ownership.

The committee makes a range of recommendations directed primarily toward improving home purchase affordability. They include state governments phasing out conveyancing stamp duties, to be achieved through a transition to more efficient taxes, potentially including land taxation levied on a broader base than is currently the case. Other recommendations are directed at improving the efficiency, effectiveness and equity of infrastructure funding arrangements, which can have a strong influence on the cost of new housing. Similarly, a number of recommendations are made with the intention of ensuring land supply, urban planning and zoning processes have a positive effect on housing affordability.

Evidence indicated that direct grants to home owners, including First Home Owner Grants, need to be targeted carefully in order to be effective. While the committee suggests that First Home Owner Grants might need to be more tightly targeted, it also believes that shared equity programs are a promising means of helping more Australians become home owners, and consideration should be given to expanding

such programs. Equally important, the committee recommends that programs designed to help older Australians 'age in place' when they want to, or downsize (or 'rightsized') to meet their needs, should be explored.

A large amount of the evidence received during this inquiry concerned the possible effect on home purchase affordability of existing taxation arrangements for investor housing, in particular negative gearing and the capital gains tax discount. The committee recommends that the Australian Government investigate the effect of the current taxation treatment of investment housing on home purchase affordability (among other things), and consider if alternative approaches would help improve affordability.

The problems engendered by poor housing affordability are also clearly evident in the private rental market. Here low- to medium-income earners encounter significant problems accessing affordable and appropriate housing, with significant numbers experiencing rental stress or even severe rental stress. Indeed, one witness described the private rental market as a brutal place for people on welfare payments.

Evidence indicated strongly that renting must be recognised as a mainstream, and for some, a permanent form of tenure in Australia's housing system and must be placed on Australia's national policy agenda as a key issue to address poverty. Undeniably, the increasingly tight and expensive private rental sector is locking some low- to moderate-income earners out of affordable and appropriate housing. This situation indicates market failure and suggests that market solutions to low cost housing will simply not emerge naturally: that there is a clear need to find ways to attract private investment into low cost and social housing. But currently, without government incentives, affordable housing does not tend to appeal to private investors.

Many pensioners and people dependent on welfare or disability payments, who find themselves priced out of the private rental market, seek relief by accessing social housing, which provides a much needed safety net. But here they also face fierce competition.

An adequate supply of social housing would mean that older Australians are better able to age in place and not have to forgo daily essentials simply to pay their rent, and people with disability are not left to fend for themselves in substandard dwellings that make no allowance for their particular needs. Also, an adequate supply of social housing would mean that women escaping domestic violence would not be forced to stay in motels or, worse still, remain in abusive relationships. Unfortunately, social housing is in short supply and waiting lists are long. It has become 'housing of last resort' and many people desperate for safe, secure and affordable housing are left to ask 'Where do I go?'

The committee makes recommendations that address identified deficiencies in Australia's rental market, including a concerted effort by governments at all levels to commit to increasing the overall proportion of social housing as a percentage of

Australia's housing stock. Another cluster of recommendations call for the review and reform of tenancy laws (security of tenure, stability and fairness of rent rises, energy, comfort and safety standards, evictions and dispute resolution mechanisms). In addition, they also deal with the responsibilities and obligations of landlords when it comes to energy efficiency and home modifications for tenants with particular needs.

The committee also targets its recommendations at reinvigorating and improving current Commonwealth and state and territories agreements—National Affordable Housing Agreement (NAHA) and partnership arrangements including National Partnership Agreement on Remote Indigenous Housing (NPARIH) and National Partnership Agreement on Homelessness (NPAH). Furthermore, recognising that the National Rental Affordability Scheme has started the much needed process of attracting private investors into Australia's affordable rental market, the committee recommends building on its success. The committee also looks at ways to make Commonwealth rental assistance more effective. In addition, the committee recommends establishing a Housing Supply Financing Task Force to investigate and advise government on mechanisms, including housing supply bonds, for engaging private investment in the affordable housing market.

Undoubtedly, Australia has a housing affordability problem—the challenges are complex, diverse and interact differently in different parts of Australia.

Considering the vital importance of housing to a person's overall wellbeing and the current problems gaining access to affordable and appropriate housing, the committee is convinced that access to affordable housing is a matter of national importance. Furthermore, affordable housing should be a national economic issue that needs to be a central and cross-cutting theme of government.

The committee believes governments, including the Australian Government, have a legitimate role, and indeed a responsibility, to use policy interventions to improve the efficiency, efficacy and, critically, the affordability of the housing market. Evidence indicated, however, that Australia's housing policy and effort is fragmented, which has led to a good deal of confusion and discord in attempts to address housing issues. The various levels of government, and indeed different areas within the same government, often have contradictory objectives that pull in different directions. Clearly, one of the dominant messages coming out of this inquiry is the need for the Australian Government to give coherence to the numerous local, state and national incentives and schemes intended to contribute to the provision of affordable housing. A long-term, integrated and coherent plan with consistent policy governing a national approach to affordable housing is needed.

In the committee's view, the Australian Government should be the driving force behind the development and implementation of this plan. As such, the current lack of a dedicated Commonwealth housing minister is of concern. Housing-specific policies, and policies that shape the housing market more broadly, have direct and in some cases profound effects on the lives of Australians across the socio-economic spectrum

and in all tenure types. In this context, the committee contends there is a compelling argument for a dedicated Commonwealth housing minister able to provide cross-portfolio and national leadership on this important policy issue.

Many of the key policy levers that shape the Australian housing market and housing affordability rest with the Commonwealth. In particular, demand-side levers such as taxation policy generally reside with the Commonwealth. Although many supply-side policy levers fall within the remit of the states and territories, the committee is firm in its view that the Commonwealth is best placed to provide the leadership to coordinate and guide the cross-jurisdictional reform necessary to improve the efficiency of housing supply across Australia.

An institutional mechanism is required to bring all levels of government together in order to deliver the overarching strategic approach to affordable housing in Australia. The committee believes that the Council of Australian Governments (COAG) provides the ideal structure within which the Commonwealth and states and territories can develop the strategy and devise the best way to implement it. A Ministerial Council on housing and homelessness within the COAG system, as the committee, recommends, would allow representatives from key government agencies, the not-for-profit organisations, industry bodies and associations, academics and other housing experts to participate in, or contribute to, the formulation of policy.

In this report, the committee recommends that the Australian Government direct its attention and efforts to a number of areas, and makes recommendations accordingly, including developing a long-term national affordable housing plan that:

- recognises affordable housing, including affordable rental housing, as a mainstream and national policy objective and places affordable housing at the forefront of government policy across Australia;
- is spearheaded by a dedicated minister for housing and homelessness and supported by an institutional infrastructure that would provide the continuity, expertise, experience and established networks with all levels of government;
- fosters intergovernmental cooperation in solving housing issues within a 'whole-of-system housing policy framework';
- places a high priority on improving the supply-side efficiency of the Australian housing market;
- reinvigorates NAHA placing particular emphasis on improving transparency and accountability, and introducing a robust evaluation and reporting framework;
- contains clear, consistent and longer-term funding commitments adequate to meet the growing demand for social housing;
- recommits to halving homelessness by 2025;

- takes account of the findings outlined in this report including facts such as the age pension assumes home ownership and the projected decline in home ownership especially among older Australians;
- builds trust and confidence that Australian governments at all levels, led by the Commonwealth, are committed to increasing the supply of affordable housing;
- provides consistency, coherence and policy certainty for the affordable housing sector that would enable housing providers to forge stronger partnerships with the private sector;
- recognises that significant volumes of public and private finance would be required to meet the projected need for additional rental housing and the importance of attracting institutional investors into the affordable housing market;
- understands that efforts to attract a significant level of institutional investment into affordable housing have to date been largely unsuccessful; and
- makes institutional investment a core policy objective in affordable housing.

Overall, and as highlighted in the strong and resounding messages drawn from the bulk of evidence, the committee is firmly of the view that:

- the Australian Government cannot vacate the affordable housing space or step back from its responsibilities to ensure that every Australian has access to affordable, safe and sustainable housing; and
- in the long run, investment in affordable housing returns dividends not only to the individual struggling to access safe, secure and affordable housing but to the budgets of the Australian, state and territory governments and ultimately the Australian taxpayer (by having a more productive community with reduced costs for social, health and unemployment services and for justice and policing.)

Recommendations

Recommendation 1

paragraph 4.15

The committee recommends that the Australian Government appoint a Minister for Housing and Homelessness, with the portfolio to be located in a central agency such as the Department of the Prime Minister and Cabinet or the Treasury, or in the Department of Infrastructure with formal links to the central agencies.

Recommendation 2

paragraph 5.65

The committee recommends that, as a matter of priority, the Commonwealth and states and territories agree to establish a ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system.

Recommendation 3

paragraph 5.66

The committee recommends the establishment of a new body, ideally a statutory body, similar in function to the former National Housing Supply Council, but also with responsibility for monitoring performance against a new affordable housing plan (see recommendation 4) and measuring housing need according to key demographic trends, socio-economic and cultural factors.

Recommendation 4

paragraph 5.67

The committee recommends that the Commonwealth and states and territories collaborate in the development of a long term, national affordable housing plan, ideally to be developed through a new ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system (see recommendation 2). While the shape of the plan and its relationship to the National Affordable Housing Agreement would be determined through the development process, the committee recommends that the plan:

- (a) include performance indicators, which should be monitored and reported on by the body recommended at recommendation 3; and
- (b) include base funding, possibly drawn from the National Affordable Housing Agreement funding envelope, with consideration also given to including Commonwealth reward payments linked to achievement by individual jurisdictions against the performance indicators.

Recommendation 5

paragraph 6.40

The committee recommends that state and territory governments phase out conveyancing stamp duties, and that as per the recommendations of the Henry Review, this be achieved through a transition to more efficient taxes, potentially including land taxation levied on a broader base than is currently the case.

Recommendation 6**paragraph 6.66**

The committee recommends that all states and territories report to the Council of Australian Governments (COAG), preferably through a new ministerial council on housing and homelessness (see recommendation 2), on what policy changes, if any, have been made to ensure infrastructure charges are consistent with the four principles agreed through COAG in July 2012.

Recommendation 7**paragraph 6.67**

The committee recommends that state and local governments investigate the possibility of using Tax Increment Financing and other innovative finance mechanisms to fund infrastructure for new housing developments.

Recommendation 8**paragraph 7.57**

The committee recommends that the proposed new Council of Australian Governments ministerial council on housing and homelessness (see recommendation 2) investigate ways to improve the consistency, timeliness and utility of government-collected and published information about land supply across jurisdictions.

Recommendation 9**paragraph 7.58**

The committee recommends that the Australian Government:

- (a) show leadership in regard to national urban planning policy and urban regeneration, given the role both can play in improving and driving housing affordability outcomes across Australia's major urban centres;
- (b) reinstate the National Urban Policy and Major Cities Unit given the former role both played in driving housing affordability policy and outcomes at the national level; and
- (c) show leadership in its policy capability and engagement with the states and territories with regard to urban planning policy.

Recommendation 10**paragraphs 7.59–7.60**

The committee recommends that the Australian Government consider developing a long-term strategy for regenerating Australia's urban centres and transport corridors. This strategy might be incorporated into a revised national urban policy, and would provide for an intergovernmental and coordinated approach to infrastructure delivery, including upgrades to social infrastructure, and the identification of redevelopment opportunities for government-owned land (as outlined in recommendation 11).

The committee further recommends that the Australian Government consider re-establishing the Urban Policy Forum, reconnecting with key stakeholders from the public and private sectors, academia and the community, and including responsibility for reviewing jurisdictional performance against targets relating to urban regeneration.

Recommendation 11**paragraph 7.61**

Government-owned land, whether state or Commonwealth-owned, represents a potential land supply for affordable housing. Current governance, transparency and divestment arrangements could be improved so that this potential might be realised. The committee recommends:

- (a) the creation of a transparent, public, up-to-date register of government land and buildings that are considered 'surplus' or on the divestment program, including the location and size of this land, and any development restrictions attached to it;
- (b) the direct involvement of the Commonwealth agency with housing policy responsibility in any asset divestment programs, and the possible application of affordable housing targets in divestment programs;
- (c) the development of innovative partnerships involving public, not-for-profit, community and private consortiums that develop affordable and diverse housing on government land and buildings; and
- (d) the exploration of innovative models, such as community land trusts, on government-owned land where the government retains the land or a share in the development, but a community or not-for-profit housing provider develop affordable housing.

Recommendation 12**paragraph 8.38**

The committee recommends a separate parliamentary inquiry into the Australian prefabricated housing industry, and its potential role in improving housing affordability and stimulating new activity in the manufacturing sector. This inquiry should consider, among other things:

- (a) the development of a comprehensive approach to creating a sustainable prefabricated building and insulated panel production industry;
- (b) the possibility of Commonwealth prefabricated housing targets in a national affordable housing plan (see recommendation 4);
- (c) the possibility of a Commonwealth prefabricated modular housing industry package to provide support for research and development, skills and training, assistance to establish new production and manufacturing facilities, and world class demonstration projects.

Recommendation 13**paragraph 9.70**

The committee recommends that, to the extent such matters are not addressed by the White Paper on the Reform of Australia's Tax System, the Treasury should prepare and publish a study of the influence of negative gearing and the capital gains tax discount on home purchase affordability and on the rental market (including the effect on security of tenure for renters), the effect of these arrangements on revenue, and

their effect (if any) on economic productivity. This study should examine the likely effects of alternative taxation treatments of investor housing. Alternative approaches considered in this study (including, where appropriate, in combination) should include:

- (a) a housing-specific 'quarantine' approach, wherein losses for investment properties can only be deducted against rental income, with provision for losses in excess of rental income to be carried forward and deducted against future rental income and capital gains;
- (b) a broader 'quarantine' approach, wherein interest expenses on all investments, including but not limited to housing assets, are only deductible in any given year up to the amount of investment income earned in that year, with provision for losses in excess of this amount to be carried forward and deducted against future investment income and capital gains;
- (c) limiting the application of negative gearing arrangements to new housing stock, or designated new affordable housing stock;
- (d) limiting the application of negative gearing to a certain number of properties (assessing options for various limits in this regard);
- (e) options for phasing out negative gearing on investment housing;
- (f) applying the savings income discount recommended in the Henry Review to investment housing, with consideration given to the impact of this approach both with and without the implementation of the Henry Review's recommendations in relation to housing supply and housing assistance; and
- (g) reducing or removing the capital gains tax discount for investment properties, or reverting to the pre-1999 system of taxing real rather than nominal capital gains on investment assets.

Recommendation 14

paragraph 11.86

The committee recommends that, to the extent state and territory governments maintain first home buyer grants, they apply appropriate value caps and limit their availability to new housing stock (with appropriate exceptions for certain groups of buyers), and consider introducing means testing to ensure that the grants are appropriately targeted.

Recommendation 15

paragraph 11.87

The committee recommends that the Australian Government consider introducing a scheme designed to assist first home buyers save for a home deposit, drawing as appropriate on the experiences of the First Home Saver Account scheme.

Recommendation 16**paragraph 11.88**

The committee recommends that all governments, through the proposed ministerial council on housing and homelessness (see recommendation 2) or another appropriate intergovernmental forum, investigate ways to expand shared equity programs, including both government-backed and private-sector backed programs. The committee further recommends that, as part of this process, consideration be given to other mechanisms to facilitate affordable home ownership, such as community land trusts, rent to buy schemes, and the like, and consider the inclusion of such mechanisms within the national affordable housing plan proposed at recommendation 4, or the National Affordable Housing Agreement.

Recommendation 17**paragraph 12.42**

The committee recommends that the government investigate new policy settings that will address barriers to downsizing (or 'rightsizing') by retirees, including schemes along the lines of the Housing Help for Seniors pilot.

Recommendation 18**paragraphs 13.97–13.98**

As a national policy issue, affordable home ownership tends to overshadow affordable renting even though many Australians struggle to access affordable and appropriate housing in the rental market. With this in mind, the committee recommends that the Australian Government recognise affordable renting as a mainstream form of tenure in Australia and place it prominently on the national policy agenda.

Given that renting will be the only form of housing for many Australians, one of the key challenges for government is to change the traditional view of renting as a short-term transitional phase. The committee recommends that the Australian Government in collaboration with the states and territories, through the recommended ministerial council on housing and homelessness within COAG, start the urgent process of turning around this acceptance of short-term insecure tenure as normal. As a first step, the committee recommends that the proposed ministerial council consider tenancy regulations in the various jurisdictions with a view to delivering greater security for long-term renters.

Recommendation 19**paragraph 13.104**

Considering the evidence presented to this inquiry, the committee recommends that the states and territories review their tenancy laws to ensure that all rental properties are required to meet minimum standards.

Recommendation 20**paragraph 13.105**

The committee also recommends the Australian Government:

- together with the states and territories, investigate national minimum standards that would set specific minimum standards including security of tenure, stability and fairness of rent prices, a new efficiency and comfort

standard, safety and security of the home, and better protection for groups in marginal housing;

- review (and increase) funding levels and access to tenancy advice services;
- in recognition of the value of tenancy advice services, make funding through the National Affordable Housing Agreement (NAHA) conditional on the states and territories ensuring that they have in place adequate tenancy advisory services; and
- include as a priority for the re-established Housing Supply Council (see recommendation 2) to review and publish detail on the current national rental affordability gap.

Recommendation 21

paragraph 13.106

Recognising the reluctance of tenants to exercise their rights under the respective residential tenancies legislation in each state, the committee recommends that the states review their existing system for settling tenancy disputes. The committee recommends further that the states consider establishing an independent body such as an ombudsman or giving specific powers to their consumer affairs agencies to act for tenants. Again, the committee recommends that the Australian Government act as a catalyst through the COAG process to encourage the states and territories to establish dispute resolution bodies that provide easier and less expensive access to a mechanism for the resolution of tenancy matters.

Recommendation 22

paragraphs 14.55–14.56

The committee recognises that public housing has now become the housing of last resort for many Australians with supply unable to meet the demand and waiting lists far too long. With this situation in mind, the committee recommends that the Australian Government, together with the states and territories, commit to retaining an adequate supply of public housing with the goal of increasing the overall proportion of public housing as a percentage of housing stock. Targets should be established for both the proportion of social housing *and* the reduction in existing waiting lists as part of the national housing plan, working through COAG and the re-established National Housing Supply Council. The initial goal would be for the Australian Government together with the states and territories to fund public housing in order to lift the percentage of public housing from its current low base and to reach agreement on a plan to achieve this objective.

The committee recommends further that an underlying principle shaping the development or redevelopment of public housing must be to prevent the concentration of people with complex problems in the same locality and in locations removed from important services—transport, education, health, welfare and employment.

Recommendation 23**paragraph 15.54**

The committee recommends that the Australian Government request the Productivity Commission undertake an inquiry into the merits of transferring public housing to the community housing sector with particular emphasis on the advantages and disadvantages of transferring property title.

Recommendation 24**paragraph 15.57**

Consistent with the recommendation for the Australian Government to increase the overall proportion of public housing as a percentage of housing stock, the committee recommends that the Australian Government together with the states and territories commit to achieving a higher proportion of overall social housing as a percentage of Australia's housing stock. This recommendation recognises that currently social housing in Australia forms only a small proportion of Australia's housing stock and is falling far short of meeting demand.

Recommendation 25**paragraph 15.69**

The committee recommends that the Australian Government in collaboration with the states and territories monitor carefully the transfer of public housing stock to the community sector to ensure that this transfer does not adversely affect tenants of public housing or cause them unnecessary anxiety if required to vacate their dwelling. The recommendation is intended to ensure that tenants are consulted about the changes and that their rights as tenants, including security of tenure, of rent levels, and of access to dispute resolution mechanisms is preserved.

Recommendation 26**paragraph 16.26**

In light of the anticipated rise in the number of older Australians in the private rental market, and the insecure tenancy confronting many older renters, the committee recommends that the Australian Government look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market. The aim would be to determine how policies designed to assist older Australians remain in their home could take better account of, and accommodate, the added difficulties for older people accessing safe and secure housing and in conducting modifications to rental dwellings, and more broadly renting in the private rental market.

Recommendation 27**paragraphs 16.88–16.89**

The committee recommends that the Australian Government together with the states and territories commit to ensuring that adequate funding be made available so that women and children escaping domestic violence are housed in secure and appropriate housing with the necessary support network that would allow them to remain in a safe environment. This approach would mean that women and their children would experience as little social and educational disruption as possible and that the pathway

to more permanent housing would be easier. A priority would be to consider the introduction of programs throughout Australia such as New South Wales' Staying Home Leaving Violence initiative, which is designed to protect women who want to live separately from a violent husband or partner, but remain in their home.

The committee also recommends the Australian Government reverse the cuts to the capital program in National Partnership Agreement on Homelessness (NPAH) and apply needs-based supply and services program as part of the national affordable housing platform in recommendation 30 (the cuts are discussed in chapter 18).

Recommendation 28

paragraph 16.91

The committee recommends that, in its consideration of current tenancy law, the proposed ministerial council also place a high priority on the obligations and responsibility of landlords when it comes to house modifications for those with particular housing needs. The committee recommends that the council look at measures, such as tax incentives, to encourage landlords to improve the energy efficiency of their properties and to make required modifications for tenants with disability.

Recommendation 29

paragraph 17.36

The committee recommends that housing should be included in the Prime Minister's *Closing the Gap* report: that access to affordable and appropriate housing must be regarded in the same context as Indigenous education, health and employment.

Recommendation 30

paragraph 18.75

The committee recommends that the Australian Government:

- take a definite and high profile role in placing affordable housing at the forefront of government policy across Australia;
- make a strong and certain recommitment to NPAH (including considering reintroducing ongoing capital component) and its continuation for at least ten years;
- task Homelessness Australia with investigating and quantifying the service delivery gap to people experiencing homelessness, and commit to funding NPAH to meet that gap;
- recommit to the target to at least halve homelessness by 2025 (originally set at 2020 in the 2008 White Paper) with set milestone at two yearly intervals to track and report on progress and to offer supported accommodation to all rough sleepers who want it;
- work to achieve multi-party support for this long-term goal and, noting that this problem cannot be solved at any one level of government, encourage states and territories to commit to this target and to coordinate their response;

- take a longer-term approach when funding programs or agreements that would provide certainty of funding so that organisations and people engaged in delivering programs can, with confidence, plan ahead and seek to achieve continuity in the services they provide to homeless people; and
- introduce an urgent capital program with the Australian Government and the states sharing responsibility for funding through NPAH to provide fast build, sustainable and appropriate emergency housing and affordable rental housing to meet the needs of Australians rough sleeping and seeking appropriate housing, with the target of housing by 2020 all rough sleepers who seek to be housed.

Recommendation 31

paragraph 18.77

Noting that much of the evidence presented before this committee was consistent with the Australian National Audit Office's (ANAO) findings on the implementation of NPAH, the committee recommends that COAG establish a working group to review the ANAO's findings and reassess the implementation of NPAH to ensure that NPAH has:

- clear performance measures that can be tracked and verified;
- a requirement for states and territories to report to government on their expenditure on housing under NPAH complemented by a reporting framework that measures the implementation of reforms against set benchmarks and the extent to which they are being delivered on the ground;
- Commonwealth funding linked to the achievement of agreed milestones; and
- investigate Centrelink as a one stop shop to assist people experiencing or at risk of homelessness with referral and in-house expertise to link clients with services and housing.

Recommendation 32

paragraph 18.78–18.79

The committee recommends that the Australian and state and territory governments recognise the important work of advocacy and peak organisations in housing and homelessness and provide adequate support to enable them to continue to deliver their much needed services.

The committee recommends further that the Australian Government reinstate funding for the peak bodies that represent and provide advice on homelessness, community housing and housing and tenancy policy.

Recommendation 33

paragraph 18.87

The committee notes that the advice provided to the committee on the Williams decision and the consequences for Commonwealth funding for housing and homelessness simply adds to the uncertainty around the future of Commonwealth funding in this area. The committee recommends that the Australian Government clarify what the consequences are for Commonwealth funding grants for housing and

homelessness that flow from the Williams decision and how it intends to respond to them.

Recommendation 34

paragraph 19.29

The committee recommends that through COAG, the National Affordable Housing Agreement (NAHA) be reinvigorated with particular emphasis on improving accountability and transparency. The committee recommends that the following particular reforms of NAHA should be considered and acted upon:

- expand the agreement to include all forms of housing assistance—funding for social housing, affordable rental housing, rent assistance and the various programs to support people to remain housed;
- develop measurable benchmarks and ensure these benchmarks are used to evaluate the effectiveness of government expenditure on affordable housing;
- improve the collection and publication of data, especially on the number of new homes added to the pool of social housing; and
- ensure that funding is tied directly to concrete outcomes, for example, by tightening conditions on Commonwealth funding to the states that would realise growth in the stock of social housing.

Recommendation 35

paragraph 19.31

The committee recommends that the Federation White Paper process consider carefully NAHA in this critical area of transparency and accountability. Importantly, that the committee's findings feed into the White Paper process with the aim to improve NAHA so that a robust evaluation and reporting framework is established ensuring that the funds allocated to improving affordable housing can be tracked and the intended outcomes measured and evaluated.

Recommendation 36

paragraph 21.56

The committee recommends that:

- in the absence of any credible alternative scheme designed to increase the supply of new affordable housing and considering steps have already been taken to improve the administration and implementation of the National Rental Affordability Scheme (NRAS), that the Australian Government continue with NRAS round 5;
- the Federation White Paper process look at the Queensland NRAS model, which appeared to have much tighter controls over eligibility, as a means of determining where further improvements or fine-tuning could make the system more robust and effective;
- the Federation White Paper process look at how NRAS or a replacement scheme could be reframed to take account of the particular housing

circumstances of regional Australia and ensure that NRAS housing was better targeted to areas in most need; and

- as part of the Federation White Paper process, a thorough cost benefit analysis of NRAS be undertaken, and that any such analysis include comparison of forgone revenue from demand subsidies such as the first home owners grant, and negative gearing and capital gains tax.

Recommendation 37

paragraph 21.57

The committee recommends that when considering NRAS, the Federation White Paper process:

- take note of the concerns raised by many submitters and witnesses about the need for continuity and certainty in order to attract and to gain the confidence of private investors; and
- ensure that any proposed refinement or a replacement of the scheme:
 - places the highest priority on restoring and building on the initial success that NRAS had in attracting private investors;
 - provides investors with certainty regarding the scheme by committing to a consistent flow of incentives extending over a period of at least five years; and
 - takes note of lessons to be learnt from NRAS such as the need for clear and tight eligibility criteria and better targeting to areas of need (the ANAO audit should provide a sound starting point).

Recommendation 38

paragraph 21.68

The committee recommends that the Australian Government, through legislative recognition of charitable status, resolve any uncertainty over the effect that participation in NRAS or any similar scheme would have on the tax status of entities operating as charities, or public benevolent institutions (PBIs).

Recommendation 39

paragraph 22.45

The committee recommends that the Australian Government:

- review the eligibility criteria for Commonwealth Rental Assistance (CRA) to ensure that it is targeted at those most in need;
- review the method of indexing CRA with a view to retaining its adequacy; and
- review the adequacy of CRA.

Recommendation 40

paragraphs 23.45–23.46

The committee recommends that the Federation White Paper process give due consideration to the proposal for the introduction of housing supply bonds using the

Australian Housing and Urban Research Institute's (AHURI) research as a starting point for its consideration.

The committee also recommends that the Australian Government establish a cross-sectoral high level industry and government Housing Supply Financing Task Force, as proposed in the AHURI report. It would provide advice to governments on the potential for a Housing Supply Bond in Australia and investigate other mechanisms for private investment.

Chapter 1

Introduction

1.1 On 12 December 2013, the Senate referred an inquiry into affordable housing to the Senate Economics References Committee for inquiry and report by 26 June 2014. The Senate subsequently extended the reporting date on four occasions: first to 27 November 2014, then to the first sitting day in March 2015 and 14 April 2015 and finally to 8 May 2015. The terms of reference are comprehensive and include the following matters:

- (a) the role of all levels of government in facilitating affordable home ownership and affordable private rental, including:
 - (i) the effect of policies designed to encourage home ownership and residential property investment,
 - (ii) the taxes and levies imposed by the Commonwealth, state, territory and local governments,
 - (iii) the effect of policies designed to increase housing supply,
 - (iv) the operation, effect and future of the National Rental Affordability Scheme,
 - (v) the regulatory structures governing the roles of financial institutions and superannuation funds in the home lending and property sectors, and
 - (vi) the operation and effectiveness of rent and housing assistance programs;
- (b) the impacts, including social implications, of public and social housing policies on housing affordability and the role of all levels of government in providing public and social housing;
- (c) the impact of Commonwealth, state and territory government policies and programs on homelessness;
- (d) the contribution of home ownership to retirement incomes;
- (e) the implications for other related changes to Commonwealth government policies and programs, including taxation policy, aged care, disability services, Indigenous affairs and for state and territory governments;
- (f) the need to develop improved overview and accountability mechanisms in relation to Commonwealth grants and funding to the states and territories in order to ensure that public funding delivers outcomes consistent with Commonwealth objectives;

- (g) planning and policies that will ensure that women, particularly vulnerable women, have access to secure, appropriate, affordable and adaptable accommodation;
- (h) planning and policies that will ensure emergency and essential service workers have access to affordable housing close to where they work;
- (i) planning and policies that will ensure the availability of an appropriately skilled workforce;
- (j) the role of innovation in building materials and construction, including prefabricated and sustainable materials;
- (k) the impacts of improving sustainability (including energy efficiency) of new and existing housing stock on improving housing affordability;
- (l) the role of innovative and responsible funding mechanisms used in other countries, including the United Kingdom, United States of America, France, Canada, Austria and the Netherlands, that provide a stable and cost effective way of funding affordable rental and social housing, such as affordable housing supply bonds and an affordable housing finance corporation;
- (m) the role and contribution of the community housing sector in delivering social and affordable renting housing;
- (n) the need to increase the supply of accessible and adaptable housing, and housing that is culturally appropriate;
- (o) the impact of not having a long-term, national affordable housing plan; and
- (p) any other matters the committee considers relevant.

Conduct of inquiry

1.2 The committee advertised its inquiry on its website and in the *Australian*. The committee also wrote directly to the Commonwealth, state and territory governments, organisations, academics and other people known to be interested in housing in Australia drawing attention to the inquiry and inviting them to make written submissions.

Submissions

1.3 The committee received 231 submissions, which are listed at Appendix 1, as well as additional information and answers to a series of written questions. They are listed at Appendix 2. The committee held eight public hearings in Adelaide, Canberra (3), Melbourne, Brisbane, Sydney, and Perth. A list of witnesses who appeared is at Appendix 3.

Relevant reports and publications

1.4 In addition to the evidence presented during the inquiry, the committee relied on information and data produced in numerous reports which included Australia's future tax system (the Henry Review); the National Commission of Audit, a *New System for Better Employment and Social Outcomes* (welfare reform interim report)¹ and the Pension Review Report. It also drew on various publications by the Australian Housing and Urban Research Institute (AHURI), Australian National Audit Office (ANAO), Australian Institute of Health and Welfare (AIHW), Australian Bureau of Statistics (ABS), National Housing Supply Council (NHSC) and the Productivity Commission. A selected bibliography is provided at the end of the report.

Federation and Tax White Papers

1.5 The committee has also taken into consideration the development of two white papers that have a direct bearing on matters covered by the inquiry's terms of reference: the White Paper on the Reform of the Federation (the Federation White Paper), and the White Paper on the Reform of Australia's Tax System (the Tax White Paper).

1.6 In May 2014, the government announced that the two white papers were to be completed by the end of 2015. They would consider the spending and taxation roles and responsibilities of the different levels of government in Australia to ensure that, as far as possible, the states were sovereign in their own sphere.² A related discussion paper explained in full:

The White Paper on the Reform of the Federation is considering options to achieve a more efficient and effective federation, which supports Australia's growth and living standards. Any changes to roles and responsibilities of the Commonwealth and states and territories may have revenue and tax implications. The white paper processes on Australia's Federation and taxation are proceeding in tandem and, as such, provide a unique opportunity to inform a system-wide approach to taxation.³

Federation White Paper

1.7 Working with the states and territories, the Australian Government has committed to develop a Federation White Paper. A taskforce within the Department of

1 A final report by the Reference Group on Welfare Reform, *A New System for Better Employment and Social Outcomes*, was released on February 2015. References in this report are drawn from the interim report published in June 2014.

2 Budget Paper No. 1, *Budget Strategy and Outlook 2014–15*, Budget Overview, http://www.budget.gov.au/2014-15/content/bp1/download/BP1_BS1.pdf

3 Australian Government, *Re-think*, Tax discussion paper, Better tax system, better Australia, March 2015, p. 2, http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf

the Prime Minister and Cabinet is producing the White Paper.⁴ As part of this process, an issues paper was published in December 2014 on roles and responsibilities in housing and homelessness.⁵

Tax White Paper

1.8 The Tax White Paper is intended to provide a longer-term considered approach to tax reform that is consistent with the government's core principles of fairness and simplicity.⁶ A Tax White Paper taskforce has been set up in the Department of Treasury. A tax discussion paper was released in March 2015.⁷

Background

1.9 Every Australian has a fundamental right to an adequate standard of living including access to a safe, secure, habitable and affordable home. Australia is party to seven core international human rights treaties which uphold this right to appropriate housing. As such the Australian Government recognises that adequate housing is essential for human survival with dignity. Indeed, the Australian Government and the states and territories have entered into an agreement that has as its aspirational goal:

...all Australians [to] have access to affordable, safe and sustainable housing that contributes to social and economic participation.⁸

1.10 Recently in Australia, however, much attention has focused on housing affordability, with concerns mounting that some Australians were not only being priced out of home ownership but facing difficulties accessing appropriate housing in the rental market. This inquiry, with its comprehensive terms of reference, canvasses many aspects of affordable housing.

4 Department of Prime Minister and Cabinet, 'Reform of the Federation White Paper', <https://federation.dpmc.gov.au/about> (accessed 2 April 2015).

5 Reform of Federation White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 26, https://federation.dpmc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf. See also Department of Prime Minister and Cabinet, *Reform of the Federation White Paper: a Federation for our Future*, Issues Paper 1, September 2014, https://federation.dpmc.gov.au/sites/default/files/issues-paper/issues_paper1_a_federation_for_our_future.pdf

6 Budget Paper No. 1, *Budget Strategy and Outlook 2014–15*, Budget Overview, p. 1–9, http://www.budget.gov.au/2014-15/content/bp1/download/BP1_BS1.pdf

7 Australian Government, *Re:think*, Tax discussion paper, Better tax system, better Australia, March 2015, http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf

8 Council of Australian Governments, *National Affordable Housing Agreement*, p. 3, http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx (accessed 18 March 2015).

Structure of report

1.11 The report is divided into two parts—the first part of the report deals mainly with affordable housing in the context of home ownership; the second part considers affordable housing from the perspective of Australians who are unlikely to own their home and must rent.

1.12 In Part 1, the committee provides an overview of housing affordability in Australia, including detail on defining and measuring housing affordability. It determines the extent to which Australia has a housing affordability problem and its significance to Australian households. The committee also examines the role of the Commonwealth, both through its funding of affordable housing and its contribution to developing a national policy and strategic approach to affordable housing.

1.13 The committee also looks at the supply- and demand-side factors that shape Australia's housing market and considers in detail:

- relevant state and local taxes, fees and charges and their effect on housing affordability;
- zoning, planning and approval processes including land release, rezoning, infill development and densification;
- building costs, codes and regulations and innovations in construction and building materials;
- the Commonwealth tax regime as it affects housing in Australia, in particular negative gearing and capital gains tax discounts and exemptions;
- financing for home purchases, the housing investment market, lending practices and macro prudential regulation;
- home ownership in Australia—covering the social and financial benefits of home ownership, trends in home ownership, and mechanisms to help first home owners such as first home owner grants and shared equity programs; and
- older Australians and home ownership, including the assets test for the aged pension and downsizing (or 'rightsizing').

1.14 In the second part of the report the committee's focus turns to those who through necessity must rent—those whose circumstances do not extend to home ownership. It considers the Australian rental market, the supply of rental properties, the costs of renting, the growing disparity between rents and income, the changing profile of the rental market, and the challenges and difficulties that low-income earners experience in accessing suitable accommodation. The committee looks at the level of rental stress in the community, the security of tenure for Australian renters and their rights as tenants.

1.15 Recognising that for some Australians the private rental market cannot deliver affordable and appropriate housing, the committee examines options provided by

social housing. In this context, the committee considers both public and community housing, the particular attributes of each sector, the waiting lists for such accommodation and the incentives for the tenants of public and community housing to remain in their rental properties. The committee looks at the transfer of public houses to the community housing sector, the contribution that community housing makes to affordable housing, the potential for it to increase the supply of affordable houses and the challenges for community housing providers to finance the maintenance and development of their properties.

1.16 Having established the difficulties confronting low-income earners to access affordable and appropriate rental houses, the committee considers the challenges that Australians with particular needs face in finding a safe, secure and affordable home. They include older Australians dependent on income support, women and children experiencing or under threat of domestic violence, people with a long-term health condition or disability, young unemployed Australians, migrants and refugees and Indigenous Australians. The committee then looks at the most extreme manifestation of housing stress—homelessness. It considers what is meant by homelessness, the nature and magnitude of the problem and what is being done to help people out of homelessness and to keep them in safe and secure accommodation.

1.17 The committee analyses and evaluates the principal forms of Commonwealth assistance and the partnership agreements it has with the states and territories to improve access to affordable housing. In particular, the committee examines:

National Affordable Housing Agreement (NAHA)—a broad ranging housing agreement which commits a significant amount of Commonwealth funding to the states and territories through a national specific purpose payment. The agreement provides the overarching framework within which the Commonwealth and states and territories work together to 'improve housing affordability and homelessness outcomes for Australians'.

National Partnership Agreement on Remote Indigenous Housing (NPAIH)—an agreement between the Australian Government and the states and territories with the principal aim of ensuring that Indigenous Australians have the same housing opportunities as all Australians. It is a subsidiary agreement to NAHA designed to address significant overcrowding, homelessness, poor housing and severe housing shortages for Indigenous communities.

National Partnership Agreement on Homelessness (NPAH)—an agreement between the Australian Government and the states and territories, which focuses on prevention and early intervention to stop people becoming homeless, breaking the cycle of homelessness and improving and expanding the service response to homelessness. The agreement has two headline objectives:

- halve overall homelessness by 2020; and

-
- offer supported accommodation to all rough sleepers who need it by 2020.

National Rental Affordability Scheme (NRAS)—a partnership between the Australian Government and the states and territories to invest in affordable housing. It was designed to stimulate and add to the supply of affordable housing by offering annual financial incentives to private investors and community organisations to build and rent homes to low- and moderate-income households at a rate at least 20 per cent below market rates.

Commonwealth Rent Assistance (CRA)—recognises that many renters in private or community housing are struggling to pay high rents. It is intended to ensure that adults with limited means can afford to live in rental housing that satisfies adequate standards. CRA payments are provided to eligible income support recipients, which involves a base payment to certain households to help them meet basic living needs. It is paid at the rate of 75 cents for each dollar above the rent threshold up to a maximum rate.

1.18 Finally, the committee looks at the role of the Commonwealth as both an investor in, and enabler of, affordable housing. The committee's main focus in this section, however, is on efforts to attract institutional investors into affordable housing.

Acknowledgements

1.19 During the course of this inquiry, the committee has benefitted greatly from the participation of many individuals and organisations located throughout Australia. The committee thanks all those who assisted with the inquiry, especially witnesses who put in extra time and considerable effort to appear before the committee.

Part I

The first part of this report assesses the current state of the housing market in Australia and outlines the negative social and economic implications of declining housing affordability. It looks at the underlying reasons for this decline, and considers the need for a coordinated intergovernmental effort to address the issue and the role of the Commonwealth therein.

The committee also focuses on falling home ownership rates, and the implications of this trend for individual households and the community as a whole. It considers how policy settings at various levels of government, including taxation settings, influence house prices, and potential steps that might be taken to bring the 'Australian dream' of home ownership back within reach of those who aspire to it.

Chapter 2

Overview of housing affordability in Australia

2.1 Defining concepts as complex as 'housing affordability' and 'affordable housing' can be problematic. What constitutes affordable housing for a particular household, and how pressing a concern housing affordability is for that household, will depend on a number of factors. These include a household's financial situation, the housing market it is in, and where it sits on the housing continuum—that is, whether the household is currently renting or seeking to rent a property, looking to purchase a home, or working to repay a mortgage.

2.2 While no single measure can capture the diversity of Australian experiences of housing affordability, this chapter demonstrates that most indicators point toward a deterioration of affordability in recent decades. This decline is keenly felt by a broad array of people, including people wanting to become homeowners, renters and people living in community and public housing. Homelessness, meanwhile, is a tremendously complex problem, and it would be reductive to suggest it is simply a corollary of housing affordability and nothing more besides. Nonetheless, this chapter suggests that poor housing affordability creates pressures throughout the housing system, and this is clearly a key factor in the poor housing outcomes of people experiencing or at risk of experiencing homelessness.

2.3 The deleterious effects of poor housing affordability are manifold. As explained in this chapter, the inability to afford access to safe, secure and appropriate housing puts people at higher risk of experiencing poor outcomes across the course of their life. Moreover, poor housing affordability damages economic productivity and increases risks to the stability of the financial system.

2.4 The remainder of this chapter considers what is meant by 'housing affordability' and 'affordable housing', assesses whether Australia has a housing affordability problem, and highlights the social and economic implications of poor housing affordability.

Defining and measuring housing affordability

2.5 'Housing affordability' and 'affordable housing' are contested terms, in part reflecting the complexity of the housing market and the diverse experiences of people

in accessing and maintaining housing.¹ As the Department of Social Services (DSS) put it in its submission, the housing market:

...is complex, with many stakeholders, and as such it is problematic to talk about 'housing affordability' or 'affordable housing' in aggregate terms. Affordability instead should be examined on the basis of 'repayment', 'purchase' and 'rental' affordability.²

2.6 DSS further explained that the housing market consists of three broad categories of households: those able to afford housing through private ownership; those able to access the private rental market; and those who cannot access the private rental market without government assistance, or who require assistance through public housing or crisis accommodation.³

2.7 DSS told the committee that 'housing affordability' meant different things to different people, in part depending on which household category they found themselves in at a given time. Complicating matters further, DSS suggested that policies and programs designed to improve one dimension of housing affordability or improve affordability for a particular cohort of people 'may actually have adverse impacts for other cohorts or for other dimensions of housing affordability':

For some, their primary concern is rental affordability. For others, it is house purchase or home purchase affordability. For others, it is loan payment affordability. There is no single index or measure that captures the complexity of housing affordability. Further, as some types of affordability improve, others can deteriorate. For example, when interest rates fall, loan repayment affordability and borrowing capacity improve. Conversely, with falling interest rates, house prices typically rise and home purchase affordability declines, obviously.⁴

2.8 The Housing Industry Association (HIA) made a similar point, telling the committee that while housing affordability was an issue for the entire community, it:

1 In its submission, the Department of Social Services (DSS) notes that the term 'affordable housing' is sometimes used to refer to specific types of low cost housing, such as public or community housing. DSS uses the term more broadly in its submission, to refer to 'the ability of all individuals and households to access housing that is appropriate and affordable to them.' Department of Social Services, *Submission 198*, p. 6. This report prefers the broader definition used by DSS, and therefore unless otherwise specified, the term 'affordable housing' herein should not be taken to refer specifically to public or community housing.

2 Department of Social Services, *Submission 198*, p. 3. In setting out these categories, DSS notes that the first two categories include people who do not have acceptable outcomes—for example, owner-occupiers in mortgage stress and private renters experiencing rental stress or living in inappropriate accommodation.

3 Department of Social Services, *Submission 198*, p. 5.

4 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 30 July 2014, p. 1.

...impacts on different households in different ways. At one end of the spectrum, you have housing affordability relating to what we describe as a relatively unconstrained decision about how much of the household's income is directed to housing costs. At the other end of the spectrum, the housing affordability challenge relates to a household's capacity or eligibility to access any available shelter, irrespective of whether it is suitable or appropriate for their needs. These two situations, in a way, represent the polar ends of what we would describe as Australia's housing continuum. The housing situation of the majority of Australian households falls somewhere in between these polar ends.⁵

2.9 Likewise, the Reserve Bank of Australia (RBA) noted that there are a number of things people might have in mind when they use the term 'affordability':

Affordability measures will differ depending upon whether we are talking about owners or renters and also on whether we are interested in some specific market segment, such as first home buyers or low-income households. For owner-occupiers perceptions of affordability will depend on many things, including price, household income, the cost and availability of finance and a whole host of factors affecting the needs and aspirations of the buyer.⁶

2.10 Part of the problem with assessing housing affordability is the lack of a commonly agreed measure of what it is. As DSS noted, this is in large measure due to the concept of 'affordability' being influenced by a number of complex and interacting factors. These factors, according to DSS, include: the price of housing; the financial capacity of owner-occupiers and renters; the ability of owner-occupiers and investors to access credit, and the cost of that credit; and the supply of suitable housing stock and rental accommodation.⁷ Associate Professor Judith Yates from the University of Sydney suggested that the complexity of housing policy was itself partly due to the difficulty in defining precisely what is and is not affordable housing. There are, she wrote:

...no clear-cut definitions on what we should be expected to pay for housing; there are no clear-cut standards about how much housing is appropriate for each of us and at what point we should be able to have the right to live independently; there are no clear-cut definitions of where this housing should be located; and there are no clear-cut definitions of how much households should pay for, for example, transport costs to get from where they live to where they work.⁸

5 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 43.

6 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 1–2.

7 Department of Social Services, *Submission 198*, p. 6.

8 Honorary Associate Professor Judith Yates, University of Sydney's Senior Visiting Fellow *Proof Committee Hansard*, 10 November 2014, p. 36.

2.11 The lack of a single agreed measure of housing affordability is well recognised. In its submission, DSS set out some of the key measures that are sometimes used to determine housing affordability:

- the '30 per cent rule'—under this rule, housing is considered to be affordable where it takes up less than 30 per cent of a household's gross income before tax;
- the '30/40' rule—under this rule, housing is considered to be affordable where a household spends less than 30 per cent of its gross income on housing where it has disposable household income in the bottom 40 per cent of the income range;
- comparing house prices to consumer prices—under this approach, house prices are compared to growth in the overall consumer price index (CPI) and where house price growth exceeds CPI growth, housing is considered to be increasingly unaffordable;
- comparing house prices to incomes—broadly, housing is considered to be affordable if it costs less than three times household income;
- a comparison of the extent to which average weekly earnings can repay and service a mortgage for a median-priced dwelling;
- determining the deposit gap—this approach measures the gap between the median dwelling price and average borrowing capacity as a percentage of a household's disposable income (a larger deposit gap reflects relatively more unaffordable housing);
- identifying the amount of residual income of a household—this approach looks at the amount of income a household has after paying its housing costs and whether this is sufficient to maintain the household's standard of living; and
- the effects on home ownership rates—a reduction in home ownership rates indicates a reduction in affordability for potential owner-occupiers.⁹

2.12 Many of these measures were used by witnesses in this inquiry to support their respective arguments. Most commonly, submissions used the median income to median price measure (or variations thereof), and either the '30 per cent rule' or the somewhat more targeted '30/40 rule'.

2.13 For example, AHURI submitted that while definitions of housing affordability vary, from a social policy perspective it could be defined using the abovementioned '30/40 rule'. This definition, it explained, could be applied to:

...housing that is being purchased or housing that is rented through the private, public or community sectors. The rationale behind this definition of housing affordability is that when households on these modest incomes spend more than 30 per cent of their gross income on housing costs, they

9 Department of Social Services, *Submission 198*, pp. 6–7.

will have insufficient income left for necessities such as food, clothing, health or schooling.¹⁰

2.14 For its part, the Urban Development Institute of Australia (UDIA) submitted that 'housing affordability', at its basic most level:

...refers to the level of income required to attain a reasonably adequate standard of housing. Housing may be considered to be unaffordable if it requires a high proportion of household income (above 30% is a common guideline) or if the level of housing expenditure impacts on the ability of households to meet other basic needs.¹¹

2.15 A joint submission from Mr Luc Borrowman, Associate Professor Lionel Frost and Dr Gennadi Kazakevitch from the Department of Economics, Monash University, offered a detailed comparison of ratio measures and residual income measures of housing stress. Ratio measures define affordability as a fraction of income used for housing (commonly 30 per cent). The residual income approach, meanwhile, 'defines the normative level of adequacy for non-shelter items as a monetary amount that is independent of income but very dependent upon household composition and the non-housing cost of living as a function of time and place'. Mr Borrowman, Associate Professor Frost and Dr Kazakevitch argued that ratio measures, which are commonly employed by researchers and policy-makers alike, fail to properly reflect the complexity and variance of housing costs across household types. Nor, they argued, do ratio measures reflect how housing costs interrelate with other household costs. While allowing that residual measures lack the inherent simplicity of ratio measures, the submitters suggested that residual measures better reflect the interface between housing and non-housing expenditure. Further residual measures recognise that 'true affordability is sensitive to differences in household composition and income'.¹² They suggested that the:

...residual affordability measure is adaptable to different household compositions and grounded in its society standard, and therefore allows for informed decisions on housing policies that specifically target the composition of households that are most vulnerable to housing stress.¹³

2.16 HomeGround Services also noted the limitations of the ratio measures in defining housing affordability, noting that residual measures might better represent what constitutes affordable housing for people on very low incomes. HomeGround argued that:

10 Australian Housing and Urban Research Institute, *Submission 93*, p. ii.

11 Urban Development Institute of Australia, *Submission 190*, p. 6.

12 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, pp. 4–7.

13 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, p. 2.

...for people on very low incomes, ratio measures of affordable housing are meaningless. When someone pays 25% of their income in rent and still cannot afford other basic necessities such as food and clothing, the result is extreme poverty. Residual measures of housing affordability at least make allowances for the cost of other necessary purchases in calculating what is affordable.¹⁴

2.17 Housing researchers from the Swinburne Institute for Social Research also argued that residual income measures should be preferred over ratio measures of affordability. They contended that the 30 per cent of household income ratio, while revealing a sharpening of the affordability problem in recent decades, had no solid normative basis as a measure of housing affordability. By contrast, they argued, a residual income approach:

...recognises that housing makes the largest claim on after-tax income for most households and therefore that non-housing expenditures are limited by how much income is left after paying for housing. This means that a household has a housing affordability problem if it cannot meet its non-housing needs at some minimum level of adequacy after paying for housing.¹⁵

2.18 Using a residual income approach, the Swinburne researchers were able to develop what they suggested was a more nuanced picture of the housing affordability problem in Australia. This included a clearer understanding of how housing affordability was experienced by different household types.¹⁶ The researchers emphasised that the question of measurement was not simply a technical or academic one. Rather, if targets are set using a flawed method measurement of what constitutes affordable housing, then a less than optimal policy outcome will follow: 'In other words, measurement matters.'¹⁷

2.19 Mr Adam Mills from the City of Melbourne told the committee that while the definition of 'affordable housing' as housing costing less than 30 per cent of a low to moderate income household's income was useful as a benchmark for policymakers, in reality the situation was often more complex:

The reality is that the definition varies for every household. It is dependent on particular life circumstances, such as childcare costs, whether you need to own a car, travel to work et cetera.¹⁸

14 HomeGround Services, *Submission 70*, p. 5.

15 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 2.

16 Institute for Social Research, Swinburne University of Technology, *Submission 86*, pp. 2–3.

17 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 4.

18 Mr Adam Mills, Senior Strategic Planner, City of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 29.

2.20 Hobsons Bay City Council suggested the lack of agreed definitions of 'affordable housing' and 'housing affordability' created confusion in discussions about affordability. The Council noted that it had adopted its own definition of 'affordable housing', namely 'housing that is owned and managed by community organisations, state owned public housing or housing that costs not more than 30% of the income of households on the lowest 40% of the income scale'. The Council recommended that federal and state governments 'develop a universal definition that describes what type of housing and income groups fall within affordable housing'.¹⁹

2.21 On the relative merits of the various measures of housing affordability, DSS wrote that all measures:

...have their relative strengths and weaknesses. However, it should be noted that most standard measures of affordability show an improvement when household income is growing faster than house prices, or when interest rates fall and increase the borrowing capacity of households. It should also be noted that applying some of these measures to total populations including, for example, home owners that have already paid off their homes, can limit the usefulness of particular measures, and that the methodology used to calculate house prices and household income can have a significant impact on measurement of affordability.

Given the different characteristics of owner-occupiers, potential purchasers and renters, a generic measure of housing affordability that seeks to measure affordability across all three types of household is unrealistic.²⁰

2.22 The RBA also pointed out that that while it was necessary to make use of summary measures in any analysis of housing affordability, it should nonetheless be acknowledged that such measures 'will inevitably gloss over the diversity of experience across different types of households'.²¹

Committee view

2.23 How housing affordability is measured matters. As Mr Borrowman, Associate Professor Frost and Dr Kazakevitch observed, measures of affordability inform policy design and targeting, including the provision of housing subsidies.²²

2.24 Notwithstanding the importance of identifying and utilising robust measures of housing affordability, the committee also notes that the many different measures currently in use do not always tell the same story or point in the same direction. The committee does not believe it is in a position to assess which of these measures is the

19 Hobsons Bay City Council, *Submission 39*, p. 4.

20 Department of Social Services, *Submission 198*, pp. 6–7.

21 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 1–2.

22 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, pp. 4–5.

'best'. Indeed, on the basis of evidence received, it believes it highly unlikely that a single 'best' measure of housing affordability exists, or that it would necessarily be productive for governments to agree official measures of affordability. At the same time, as discussed further below, it is plainly evident that, taken in aggregate, these indicators show that home ownership is becoming less and less affordable and rental affordability is trending in the wrong direction.

2.25 The distinction used by DSS between 'purchase', 'rental' and 'repayment' affordability appears to the committee a useful one—as such, this distinction is used throughout this report. Similarly, the committee notes DSS's point that housing affordability will vary across household types, which can be separated into three broad categories: those able to afford housing through private ownership, those able to access the private rental market, and those who cannot access the private rental market without government assistance or who require assistance through public housing or crisis accommodation. This report considers the experience of all three household types.

Does Australia have a housing affordability problem?

2.26 It is important to maintain a sense of perspective when considering housing in Australia. While it is certainly the case that the Australian 'housing system' is failing some people, for the most part, as Mr Saul Eslake pointed out, Australians are:

...well housed—at least in a physical sense. Although it hasn't always been the case, and it isn't the case for all Australians today (not least for Indigenous people), most of us live in houses or apartments that are well-constructed, amply fitted with various devices that make the accomplishment of household tasks easier than it was in our great-grandparents' day, and replete with other appurtenances and chattels that in some way or other provide us with enjoyment or add meaning to our lives.²³

2.27 However, after discussing the declining rates of home ownership in Australia, which he explained as at least in part a consequence of declining affordability, Mr Eslake added:

Although most Australians are, as I noted at the beginning, *physically* well housed, it can no longer be said that we are, in general, *affordably* housed; nor can it be said that the 'housing system' is meeting the needs and aspirations of as large a proportion of Australians as it did a quarter of a century ago. And in making that assertion I am thinking of the extent to which the housing system meets the needs and aspirations of those who don't want, or can't and won't ever be able to, become home-owners, as well as of those who do seek that status.²⁴

23 Mr Saul Eslake, *Submission 2*, p. 2.

24 Mr Saul Eslake, *Submission 2*, p. 7.

2.28 An overwhelming majority of witnesses agreed with Mr Eslake's contention that housing affordability in Australia had deteriorated in recent decades and was continuing to trend in the wrong direction. For example, in its submission AHURI noted that the 2011 Census of Population and Housing revealed the number of households paying more than 30 per cent of their income to buy a home had risen by 17.8 per cent since 2006.²⁵

2.29 The City Futures Research Centre (CFRC) submitted that Australia's housing markets are among the most expensive in the world, and housing affordability had become an entrenched structural problem. It argued that the problem could not be addressed simply through lower interest rates or cash subsidies, and would likely further deteriorate on current trends in supply and demand (as discussed in the next chapter):

House prices have continued to outpace household incomes and low to moderate income households face fewer affordable housing options. There is no sign that housing markets operating under current policy settings will offer more affordable housing.²⁶

2.30 Similarly, the UDIA pointed to a troubling set of indicators in relation to housing affordability, including a worsening median household income to median house price ratio. It added:

Worsening affordability is also reflected in falling rates of home ownership, with fewer households owning their homes outright, and an increasing proportion of households forced to rent. This trend is particularly stark when considered in light Australia's aging population, which other things [being] equal should result in a growing proportion of households with outright ownership.²⁷

2.31 Master Builders Australia (MBA) presented the committee with the findings of a detailed study it had conducted on housing affordability in 2012. The study revealed that whereas housing in all states except for New South Wales was in the 'affordable' range in 2001 (as measured using the median household income to median house price ratio), by 2011 none of the states qualified as 'affordable' and four were rated 'severely affordable' (see Figure 1).²⁸

2.32 United Voice highlighted the 'dramatic divergence' between wage growth and the cost of housing in the past 15 years. It noted that:

...while the cost of housing had until 2001 risen in proportion to income growth, since 2001 the boom in housing prices has vastly outstripped growth in household incomes. NATSEM [National Centre for Social and

25 Australian Housing and Urban Research Institute, *Submission 93*, p. 4.

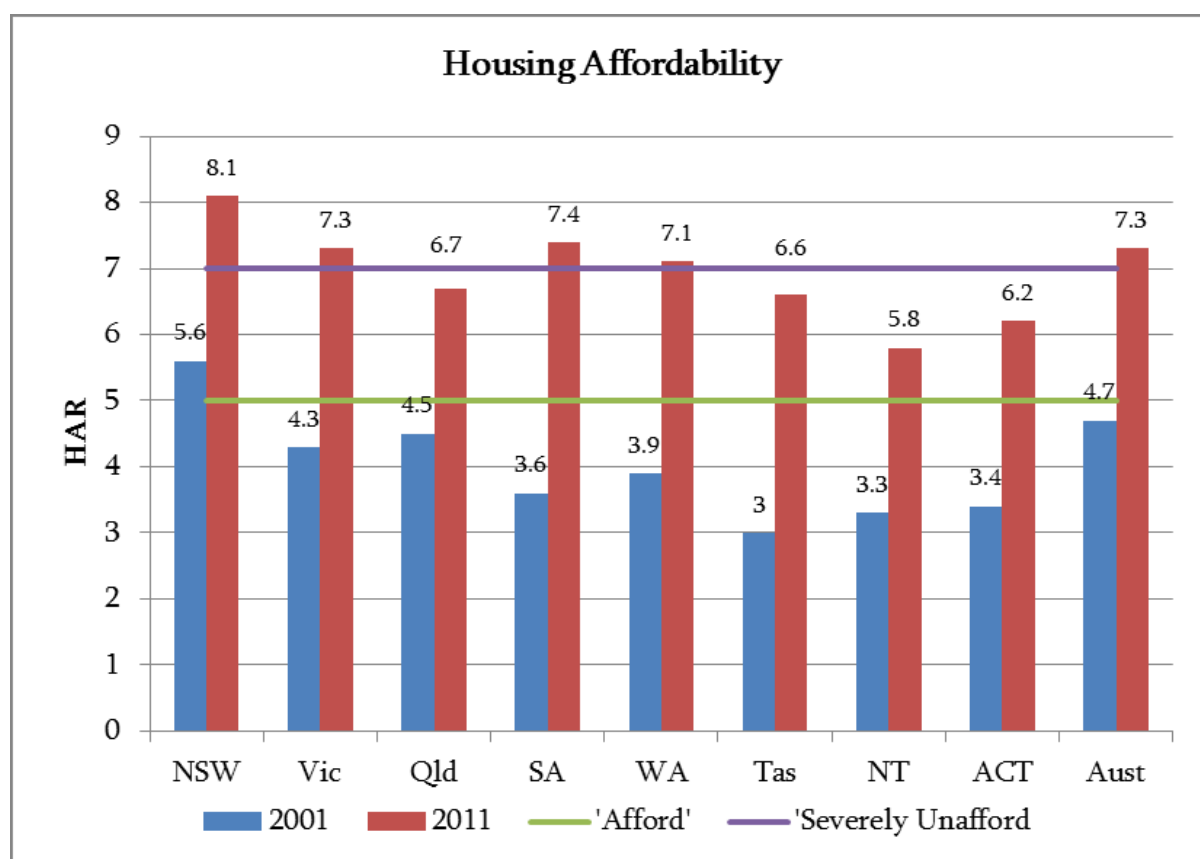
26 City Futures Research Centre, UNSW, *Submission 152*, pp. 7–8.

27 Urban Development Institute of Australia, *Submission 190*, p. 6.

28 Master Builders Australia, *Submission 48*, pp. 9–10.

Economic Modelling] data shows that house prices increased by 147 per cent compared to income growth of just 57 per cent between 2001 and 2011. In dollar terms, the median price of a house more than doubled from \$169,000 to \$417,500 while after tax income increased from just \$36,000 to \$57,000. Whereas in 2001 an average home price in Australia was 4.7 times the average income, by 2011 this had increased to 7.3 times.²⁹

Figure 2.1: Housing Affordability in Australia



'HAR' is the 'Housing Affordability Ratio', and is measured by dividing the median house price by the median income of the house purchaser. A ratio of 5 or less (that is, below the green line) is considered 'affordable'; a ratio of 7 or more (that is, above the purple line) is considered 'severely unaffordable'.

Source: Master Builders Australia, *Submission 48*, p. 10.

2.33 Dr Julie Lawson and Professor Mike Berry from the Centre for Urban Research (RMIT University) pointed to what they regarded as a developing affordability crisis in the rental sector. They argued that this emerging crisis was in part due to pressure on other parts of the housing system:

²⁹ United Voice, *Submission 169*, p. 5.

Falling home ownership rates and a declining public housing sector are resulting in rising demand for private rented housing. However, existing market failure in the private rented sector means that increasing numbers of lower income and otherwise disadvantaged households are struggling to access housing suitable to their needs and resources. There is developing a structural shortage of low rent dwellings in Australia's cities and regions.³⁰

2.34 Some witnesses used international comparisons to demonstrate the deterioration of housing affordability in Australia. In this regard, the Salvation Army referred to the Demographia International Housing Affordability Survey results for the third quarter of 2013. The survey noted that of 360 international housing markets assessed for housing affordability across nine countries:

...Melbourne is ranked as sixth least affordable city in the cohort with Sydney ranked fourth. Hong Kong is the least affordable city, followed by Vancouver and San Francisco. London is more affordable than Melbourne. Overall, Australia has 25 severely unaffordable localities. Demographia states that severely unaffordable housing markets are very attractive to investors, especially international investors seeking extraordinary returns on their investment by seeking high profits in the short term.³¹

2.35 Professor Andrew Beer, the Director of the University of Adelaide's Centre for Housing, Urban and Regional Planning, also referred to the Demographia index, noting that Australia often appears:

...at the very top end of unaffordable housing. Most years Sydney is the most unaffordable housing globally. In 2012 it was actually Port Macquarie that had the most unaffordable housing in the world. It is not an index that you want to win.³²

2.36 It might be noted at this point that housing affordability is far from uniform across Australia, with dramatic differences across (and indeed within) housing markets. As the Real Estate Institute of Australia (REIA) noted during its appearance before the committee:

The housing market in Australia is a patchwork quilt of affordability. You can purchase a three-bedroom family home in Broken Hill for \$39,000, while the median price in Sydney has pushed through the \$800,000-mark—and it is now \$811,837.³³

30 Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University, *Submission 24*, p. 3.

31 The Salvation Army, *Submission 114*, p. 6. The nine countries assessed by Demographia were Australia, Canada, Hong Kong, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States.

32 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 16.

33 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

2.37 Similarly, Professor Carolyn Whitzman (University of Melbourne) and Professor Tony Dalton (RMIT University) told the committee that in order to understand housing affordability in Australia, it was necessary to recognise the diversity of housing markets in Australia. The noted that Australia has multiple housing markets and submarkets, rather than a single undifferentiated market.³⁴

2.38 Some witnesses took issue with the idea that housing affordability had materially declined in recent years. For instance, Rismark pointed to evidence that the cost of housing relative to household disposable income had, in fact, remained essentially constant over the past decade. Rismark's submission also included data suggesting median house prices have risen in alignment with increases in the borrowing capacity of Australian households. Rismark acknowledged that certain cohorts were unable to access affordable housing in certain areas—for instance, essential workers in inner suburban areas. Yet Rismark argued that assessments of affordability often focused disproportionately on the most expensive segment of the housing market, namely detached housing in capital cities:

What is often forgotten is that this most expensive segment only achieves its price levels due to high income households competing for the most desirable assets at prices that these households can afford. Interestingly, a focus on this particular segment of the market ignores attached dwellings (that is, flats, apartments, townhouses, etc.) which represent 25.1% of the capital city housing stock. Further, fully detached capital city dwellings only represent 43.2% of the nation's total housing stock. It is for this reason that many people are surprised to learn that the median price of all dwellings sold nation-wide in the December quarter of 2013 was only \$450,000.³⁵

2.39 Whereas Rismark implied that housing affordability was essentially a problem for certain market segments within the larger capital cities, other submitters, including the Tamworth Regional Council, maintained that housing affordability was also an issue in many rural and regional communities.³⁶ Housing Alliance, meanwhile, noted that a 2011 study by Professor Beer, which had focused on rural and regional centres, had 'identified that regional Australia has faced a similar trend to larger cities in terms of the rapid escalation in house prices and rents in the period since 2000'.³⁷

2.40 In contrast to claims by Dr Lawson and Professor Berry (among others) that an affordability 'crisis' was developing in the rental sector, Mr Cameron Murray argued that rental affordability had remained more or less constant over the last two decades. Mr Murray also suggested that home ownership was 'comparatively

34 Professor Carolyn Whitzman, Professor of Urban Planning, University of Melbourne, and Professor Tony Dalton, Professor of Urban and Social Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 28.

35 Rismark International, *Submission 64*, pp. 2–3.

36 Tamworth Regional Council, *Submission 12*, p. 3.

37 Housing Alliance, *Submission 73*, p. 5.

affordable by historical standards, due to the reduction of interest rates, stagnant home prices, and wages growth since the financial crisis of 2008'. In light of this data, Mr Murray argued, 'the housing affordability situation in Australia could be described, with reference to recent historic norms, as highly affordable'.³⁸

2.41 In its February 2014 submission to this inquiry, the RBA reported that at a macro level, 'pressures on affordability on both purchased and rental housing' had eased somewhat since the Senate Select Committee on Housing Affordability's final report in June 2008.³⁹ The RBA suggested this was due in part to the fall in variable mortgage interest rates. It acknowledged, however, that the experience of specific groups in the population would differ from this overall trend. Moreover, it noted that investor driven demand in Sydney may have resulted in some potential home owners being priced out of certain parts of the market.⁴⁰

2.42 The Australian Bankers' Association (ABA) suggested that Australian house prices, when measured using the median dwelling price to income ratio, are actually close to the Organisation for Economic Co-operation and Development (OECD) average. The ABA also noted that interest rates and arrears rates were at low levels relative to historical averages, and the HIA-Commonwealth Bank Housing Affordability Index 'shows that housing affordability increased during the September 2014 quarter to 75.1 and is at its highest (best) level since June 2002'.⁴¹ However, the ABA also observed that home ownership rates were declining, particularly for younger Australians:

These facts mean we need to give consideration to housing policy and the impact of home ownership on pre and post retirement income, expenditure and wealth.⁴²

2.43 Drawing out its abovementioned point about the different experiences of housing affordability for various household types, DSS outlined distinct (if interrelated) trends in recent decades in terms of purchase, rental and repayment affordability:

Over the past 30 years, arguably, the most challenging aspect of housing affordability has been purchase affordability, with a particular impact on first home buyers. Since 1986, established house prices have increased by almost 6½ times, whereas CPI, consumer price index, has only increased 2½ times. Low-income households also face affordability challenges and limited choices in the private rental housing market, a challenge that has been exacerbated by a period of higher than CPI rent growth between 2007

38 Mr Cameron Murray, *Submission 17*, p. 5.

39 Select Committee on Housing Affordability in Australia, *A good house is hard to find: Housing affordability in Australia* (June 2008).

40 Reserve Bank of Australia, *Submission 14*, p. 1–3.

41 Australian Bankers' Association, *Submission 197*, p. 7.

42 Australian Bankers' Association, *Submission 197*, p. 9.

and 2013. On average between 2007 and 2013 private rental costs have grown significantly faster than CPI. Most recently, growth in rents has slowed and in the year to June 2014...rents actually grew more slowly than CPI for the first time since 2006.

Since the early 1990s, repayment affordability has benefited from the relatively low interest rate environment that has prevailed in comparison with interest rates in the seventies and the eighties.⁴³

2.44 DSS suggested that without reform to existing policy settings:

...the current issues with housing affordability will not recede, and indeed are more likely to intensify given the current low interest rate environment. This will lead to an increase in the number of Australians excluded from owning their own home, which is likely to put further pressure on the private rental market, and in turn, community and public housing and Commonwealth budget outlays through Commonwealth Rent Assistance.⁴⁴

Committee view

2.45 The overwhelming weight of evidence received by the committee demonstrates that Australia has a housing affordability problem. As Mr Eslake put it in his submission, while most Australians are 'physically *well* housed, it can no longer be said that we are, in general, *affordably* housed'. Sustained growth in median housing costs above the rate of median household income growth in recent decades has made it increasingly difficult for a growing proportion of Australians to afford housing that is safe, secure and appropriate to their needs. Added to the general decline in housing affordability, and indeed compounding the trend, the stock of affordable housing—that is, housing appropriate to the needs of low to moderate income households—has failed to keep pace with demand in recent decades.

What are the implications of poor housing affordability?

2.46 As Dr Lawson and Professor Berry put it in their submission, 'Few material concerns are more important to Australians than the homes they live in'.⁴⁵ The ability to afford access to safe, secure and appropriate housing is a key determinant of good life outcomes. Equally, the affordability of housing and the state of the housing market more broadly plays a central role in shaping economic and productivity outcomes in Australia. The influence of housing on wider social and economic outcomes was noted by Anglicare Australia:

Everything we do is linked to housing. Our employment, our social lives, our civic lives—everything. When the housing market is broken, everything

43 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 30 July 2014, p. 1.

44 Department of Social Services, *Submission 198*, p. 3.

45 Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University, *Submission 24*, p. 5.

else that links to it is broken. We have to think more broadly about housing than just [as] a wealth creation asset. It is an infrastructure issue. It is a productivity issue. It is a social issue. On that basis, it affects us all.⁴⁶

2.47 Similarly, the Australian Council of Social Services (ACOSS) noted that housing affordability had a significant impact on life outcomes for individuals, on economic growth and on the wellbeing of the community as a whole:

Housing, affordability and location are integral to enabling population growth, and labour mobility, supporting improvements in participation rates and improving productivity. The housing and construction industries are also key drivers of economic activity, and associated jobs growth. Adequate housing is also a basic necessity and human right which impacts on education, health and employment outcomes, as well as the overall wellbeing of the population. Having a private place to be which is decent and over which we have some real control is fundamental to the wellbeing of every one of us as individuals and communities. In this sense, affordable housing is both vital economic and social infrastructure.⁴⁷

2.48 The relationship of housing affordability to social and economic outcomes is explored further below.

Housing affordability and social outcomes

2.49 A wide range of experts to the committee that access to affordable housing is a key determinant of wellbeing across a person's life course. Housing, they argued, can profoundly influence educational attainment, employment outcomes, physical and mental health and social participation, among other things.

2.50 Professor Beer was asked by the committee about the 'everyday effects' on people of living in unaffordable housing. He responded that because housing was commonly the biggest expense for households, how much a household paid for housing tended to have a flow-on impact on how much it spent on other necessities:

We pay our housing first. Then, if you have a small income at the beginning, you have less for those other things: education, transport, food, medical care. So we have pretty good evidence that, as soon as people are paying off that top bit for their housing, all of those other things suffer down the line.⁴⁸

2.51 The CFRC underscored the interconnectedness of housing outcomes and broader social outcomes. Housing, it noted, is:

46 Ms Michelle Waterford, Director, Research and Policy, Anglicare Australia, *Proof Committee Hansard*, 10 November 2014, p. 24.

47 Australian Council of Social Service, *Submission 108*, p. 1.

48 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 17.

...a key pillar of social policy: the ways that housing and housing assistance are provided influence not only housing affordability, appropriateness and security but, more broadly, the employment, educational and health outcomes of citizens. Spatially housing plays a core role in shaping our cities and their economic, social equity and environmental performance.⁴⁹

2.52 Dr Emma Baker, Deputy Director of the University of Adelaide's Centre for Housing, Urban and Regional Planning, outlined the relationship between housing affordability and health outcomes. Dr Baker referred to her research findings showing that poor housing affordability and poor health outcomes tend to reinforce one another—that is, people with health vulnerabilities are more likely to have to live in unaffordable housing, and people living in unaffordable housing are more likely to experience health vulnerabilities.⁵⁰

2.53 The Department of Education explained the importance of housing affordability in supporting children's development, education and overall wellbeing.⁵¹ Similarly, Professor Beer highlighted the causal relationship between poor housing affordability and poor educational attainment in children. Children in households occupying unaffordable housing, he explained, are less likely to have the resources needed to support their education:

They may not have separate space for study, they may not have adequate nutrition, they may not have adequate parental supervision as the parents are working very long hours to achieve the outcomes they are looking for.⁵²

2.54 The Australia Institute suggested that high house prices also tend to reinforce intergenerational income inequality. It explained that:

...households who own a house have a greater ability to help their children buy property, while those who could not afford to buy a house themselves will be unlikely to be in a position to provide equivalent assistance to their children. The result is an intergenerational transfer or continuation of income inequality.⁵³

2.55 Poor housing affordability can also reinforce intergenerational inequality because it fosters greater spatial disadvantage in urban areas. That is, low to moderate

49 City Futures Research Centre, UNSW, *Submission 152*, p. 4.

50 Dr Emma Baker, Deputy Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 14. The research findings Dr Baker referred to are presented in Emma Baker, Kate Mason, Rebecca Betley and Shelley Mallett, 'Exploring the Bi-directional Relationship between Health and Housing in Australia', *Urban Policy and Research* 32, No. 1 (2014): 71–84.

51 Department of Education, *Submission 142*, pp. 5–8.

52 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 14.

53 Ms Molly Johnson, Researcher, The Australia Institute, *Proof Committee Hansard*, 30 July 2014, p. 60. Also see The Australia Institute, *Submission 92*, pp. 5–6.

income earners are often forced to move to areas with relatively poor access to employment, services and transport infrastructure in order to access housing they can afford. This dynamic, which is discussed in greater detail in chapter seven, was identified in a submission from the Tenants Union of Victoria. It told the committee that the general lack of good amenity in suburbs with affordable rents was 'creating a horrible social problem for the future', and this problem needed to be addressed in order to avoid an intergenerational transmission of poverty and inequality.⁵⁴

2.56 Dr Lawson and Professor Berry also argued that the lack of affordable housing was a threat to intergenerational equity and social inclusion. Existing market dynamics were, they argued, driving poor affordability outcomes and damaging Australia's ability to:

...adequately house not only its current population but also future generations of households. The benefits of rising house prices have not been shared evenly and the trickling upwards of housing wealth is diminishing social and inter-generational equality.⁵⁵

2.57 Conversely, good housing affordability and housing outcomes generally enhance the likelihood of positive social outcomes. Some witnesses drew the committee's attention to the beneficial impact of home ownership (as discussed in chapter eleven). As the REIA put it, these benefits could include:

...improved educational levels for children, better mental and physical health, and greater social connectedness and participation in community and voluntary organisations.⁵⁶

2.58 Similarly, the UDIA submitted that affordable home ownership provides people with the financial and social stability they need to:

...plan for long term decisions such as having children or forming a household, and provides an added measure of certainty and security to their future. Households that struggle to meet their housing needs are likely to have a lower quality of life, and may struggle to satisfy their need for other essentials such as health care, education, and social engagement.⁵⁷

The social costs of severe housing stress and homelessness

2.59 Referring to the difficulties faced by low-income and other people forced into insecure accommodation, the Kingsford Legal Centre (University of New South

54 Mr Mark O'Brien, Chief Executive Officer, Tenants Union of Victoria, *Proof Committee Hansard*, 9 September 2014, p. 44.

55 Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University, *Submission 24*, p. 6.

56 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

57 Urban Development Institute of Australia, *Submission 190*, p. 7.

Wales) noted that a lack of affordable housing was not only a 'source of great stress for individuals', but also has:

...huge impacts on our local community because relationships are severed when people are forced to vacate their homes and relocate. This causes major disruptions to families, and is particularly disruptive to the schooling of children.⁵⁸

2.60 In a joint submission, Anglicare Sydney, Churches Housing and BaptistCare likewise suggested that the lack of affordable housing for low income households had serious detrimental impacts on individual, family and community wellbeing:

Appropriate, affordable and sustainable housing is essential to the wellbeing of both individuals and community. When people are uncertain about the sustainability of their housing situation, they experience what the literature refers to as housing insecurity. A lack of stable, secure and affordable housing has significant impacts on individual and family wellbeing. It can exacerbate financial hardship which impacts on the acquisition of basic necessities including food, adequate clothing and heating. It can lead to transience and dislocation, compromising people's sense of place and belonging in communities. The stress and anxiety which housing insecurity generates can lead to relationship breakdown. Often people who live with housing insecurity are transient and may be forced to move to locations which are cheap but have poor transport infrastructure, creating barriers to employment. The lack of stable housing impacts on children's developmental milestones which can compromise their educational and employment opportunities over the life course.⁵⁹

2.61 Looking to the extreme end of housing stress, HomeGround Services explained that homelessness hurts both individuals and society more broadly:

Decent, sustainable, affordable housing matters because without it people can lose hope. Hope gives an individual the determination and will to reach their goals and implement strategies that overcome adversity. The social and economic costs that are associated with people experiencing housing crisis and homelessness impact on us all. Coping with crisis leaves people with little capacity for initiating longer range strategies for improving their lives and dealing with other contributing issues. These stresses also contribute to negative outcomes in terms of health and social participation. Where these issues become acute during childhood, the costs to society may be very high indeed.⁶⁰

2.62 Both the Community Housing Council of South Australia and the Council to Homeless Persons noted that, in addition to the profound impact on individuals experiencing homelessness, the economic and productivity costs to the community of

58 Kingsford Law Centre, *Submission 68*, p. 3.

59 Anglicare Sydney, Churches Housing and BaptistCare, *Submission 85*, pp. 8–9.

60 HomeGround Services, *Submission 70*, p. 6.

homelessness are substantial. These costs can include added imposts on the justice system, the health system and emergency services, and the costs associated with unemployment or low levels of economic participation.⁶¹

2.63 While the drivers of homelessness are more complex than housing affordability, the evidence nonetheless suggests a strong causal relationship between declining affordability and the incidence of homelessness and housing stress. As the St Vincent de Paul Society put it, 'Unless we address housing affordability in Australia we will never succeed in eliminating poverty and homelessness.'⁶² The relationship between, on the one hand, homelessness and, on the other, poor housing affordability and a lack of supported affordable housing stock, is addressed in chapter 18.

Broader economic and productivity impacts

2.64 The performance of the housing sector, including the state of housing affordability, is directly related to Australia's overall economic performance. As the CFRC put it in its submission, the housing sector 'has potentially profound implications for macroeconomic performance and economic management and productivity'.⁶³ In part, this is a function of the sheer size of the housing sector. As DSS noted in its submission, at the close of 2013 the Australian residential property market was made up of approximately 9.3 million dwellings, which had an estimated total value of just over \$5 trillion (with \$1.26 trillion in loans outstanding against those dwellings).⁶⁴

2.65 Housing costs can also have a fundamental impact on the financial wellbeing of individuals and their ability to accumulate wealth. Beyond the fact that housing is often the most significant household cost, regardless of tenure type, a key reason for this is that housing in Australia is an important store of private wealth. According to the ABS, in 2011–12 owner-occupied property accounted for 43 per cent of household assets, and represented a value of \$370,000 (net of liabilities) when averaged across all households. Nearly 20 per cent of households also owned property (residential and non-residential) other than their home; the value of this property averaged \$129,000 across all households, and accounted for 15 per cent of total assets. In total, 58 per cent of all household assets were property. Nearly 90 per cent of household

61 Ms Maria Palumbo, Chair, Community Housing Council of South Australia, *Proof Committee Hansard*, 28 July 2014, p. 39; Ms Sarah Toohey, Manager, Policy and Communications, Council to Homeless Persons, *Proof Committee Hansard*, 9 September 2014, pp. 55–56

62 St Vincent de Paul Society, National Council of Australia, *Submission 189*, p. 2.

63 City Futures Research Centre, UNSW, *Submission 152*, p. 3.

64 Department of Social Services, *Submission 198*, p. 5.

liabilities, meanwhile, could be attributed to property loans (57.5 per cent for owner-occupied housing and 32.4 per cent for other property loans).⁶⁵

2.66 DSS noted that house price inflation had worked to the significant financial benefit of existing home owners and investors. However, it had had:

...the opposite impact on potential first home owners, potential up-graders, renters and those households in public and community housing.

While the most noticeable impact of the reduction in the availability of affordable housing is the reduction in home ownership experienced by younger Australians, it is also having an impact upon labour force participation, household formation and historical consumption, investment and retirement trends.⁶⁶

2.67 The UDIA outlined the myriad ways in which poor housing affordability damaged the economy. These included the need for households to spend increasing proportions of income on housing, thus reducing spending on other goods and services. High housing costs, it argued, also undermined the health of the construction industry and increased the cost base for businesses, reducing their international competitiveness. In sum, high housing and land costs:

...flow throughout the entire economy, increasing the cost of doing business, destroying jobs, damaging productivity, and reducing the international competitiveness of Australian businesses. The high level of charges on new housing, a major contributor to poor housing affordability, also damages activity and employment in the property development and construction industries, one of the largest sectors of the Australian economy.⁶⁷

2.68 In addition to noting the whole-of-economy importance of housing affordability, JELD-WEN emphasised the economic significance of the housing sector itself. According to JELD-WEN, more than a million Australians are employed in the home building sector or in businesses supplying products and services to the sector. New home construction and renovations, JELD-WEN noted, generate more than \$200 billion a year throughout the Australian economy, and housing industry and related business activity make up 15 per cent of the national economy. A responsive, stable housing sector, JELD-WEN wrote:

...can avoid bouts of damaging super house price inflation and encourage builders, manufacturers and suppliers to become more innovative and to adopt more efficient technology and processes to remain competitive. A housing market that is able to provide affordable housing enables

65 Australian Bureau of Statistics, *Household Wealth and Wealth Distribution, Australia, 2011–12*, 21 August 2013, pp. 4, 19.

66 Department of Social Services, *Submission 198*, p. 4.

67 Urban Development Institute of Australia, *Submission 190*, pp. 4, 7.

householders to respond more quickly to new work opportunities; it fosters economic growth and jobs.⁶⁸

2.69 National Shelter told the committee that housing was in part a productivity issue, particularly if people were not well located to employment, health and education services.⁶⁹ Similarly, PowerHousing Australia, a network for community housing providers, argued that a lack of affordable housing in areas where new jobs were being created was acting as 'a handbrake on economic growth'.⁷⁰ Regional Development Australia, Gold Coast, suggested that such productivity costs were hurting economic activity in the Gold Coast, with the lack of affordable housing hindering efforts to attract new investment to the city and diversify the local economy.⁷¹

2.70 Associate Professor Yates also noted that poor housing affordability can affect the efficient operation of the labour market, both in terms of people having access to appropriate employment and employers having access to appropriately skilled labour. Productivity was further damaged, she argued, by congestion associated with urban sprawl and the search for affordable housing. Associate Professor Yates further noted that excessive reliance on debt to finance housing potentially added to financial and economic instability (an issue addressed in the next section of this chapter).⁷²

2.71 National Shelter suggested that current policy settings and high house prices in Australia were distorting investment decisions and reducing the pool of capital that might otherwise be directed towards productive forms of investment. In part, National Shelter argued, this was a consequence of a tax system that encouraged both owner-occupiers and investors to overinvest in housing, at the expense 'of other forms of productive investment'. Moreover, because house prices were so high, large amounts of capital that might otherwise be directed to other productive activities were tied up simply in finding and holding a place to live.⁷³

Housing costs and risks to financial stability

2.72 Since 2011, when the RBA started its current cycle of cutting interest rates, median house prices in Australia have climbed 21 per cent. In Sydney, prices have

68 JELD-WEN Australia, *Submission 54*, p. 3.

69 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 33.

70 PowerHousing Australia, *Submission 79*, p. 19.

71 Ms Kerrie Young, Committee Member, Regional Development Australia, Gold Coast, *Proof Committee Hansard*, 10 September 2014, p. 26.

72 Honorary Associate Professor Judith Yates, University of Sydney's Senior Visiting Fellow *Proof Committee Hansard*, 10 November 2014, p. 36.

73 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 34.

increased 37 per cent over the same period.⁷⁴ At various points during the inquiry the committee considered the rapid growth in house prices, particularly in Sydney, and the attendant risk to financial stability of a sudden price correction.

2.73 Witnesses disagreed on whether housing price growth in Australia could be characterised as a 'bubble'. Prosper Australia was particularly strong in its insistence that the preferential tax treatment of land, as it saw it, and excessive borrowing had created a property bubble. Ultimately, Prosper Australia argued, the value of land will revert to the mean and the bubble will burst, causing 'tremendous economic damage' in the process—'a lot of people will lose a great deal of money and our country will suffer very, very badly.'⁷⁵

2.74 Associate Professor Roger Wilkins from the University of Melbourne was rather more sceptical as to whether house price inflation constituted a 'bubble':

International and historical comparisons suggest that prices are above what some sort of notion of fundamentals would suggest they should be; but, if it is a bubble, it is a very long running bubble. Over the last 10 years real prices have not actually net grown that strongly. Sure, in the last few years they have picked up again, but the real growth has not been that strong. It suggests to me that there are perhaps some longer-running structural drivers of this high price growth.⁷⁶

2.75 Dr Ian Winter, Executive Director of AHURI, told the committee that arguments over whether or not a 'bubble' existed somewhat missed the point. The key issue, he suggested, was the need to address the structural drivers of poor housing affordability, which 'have been in place for the past 25 or 30 years and are steadily getting worse'.⁷⁷

2.76 Asked directly if there was a bubble in the Sydney housing market, the RBA's Head of Financial Stability, Dr Luci Ellis, responded that the RBA did not think this was a useful way to frame the problem. Rather, the issue was whether there was excessive speculation in the housing market and what that might mean for the price

74 Benjamin Purvis, 'Housing boom is 'lesser evil' for RBA, says Goldman Asset', *AFR*, 23 March 2015.

75 Mr David Collyer, Policy Director, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, p. 1; Mr Philip Soos, Researcher, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, pp. 2–3.

76 Associate Professor Roger Wilkins, Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 27.

77 Dr Ian Winter, Executive Director, Australian Housing and Urban Research Institute Limited, *Proof Committee Hansard*, 9 September 2014, p. 28.

cycle. And, Dr Ellis added, at the moment the RBA felt there was 'more speculative activity than we are comfortable with'.⁷⁸

2.77 Dr Malcolm Edey, Assistant Governor (Financial System) of the RBA, explained that while the RBA's concerns were focused on speculative investor activity in the Sydney and Melbourne housing markets, there was a broader material risk to the economy as a whole:

We have said that this is a risk concentration problem, but it is big enough to have impacts on the national economy. That is what we are worried about in the end. Our mandate is the performance of the national economy, the stability of the economy and, eventually, the financial system itself. Sydney and Melbourne are a big part of the economy; they are a big part of the lending focus for the banks.⁷⁹

2.78 The RBA outlined in its submission the risks that speculative booms present to overall financial stability:

Any increase in demand for a good or service will be met with some combination of an increase in prices and an expansion in quantity supplied. It is unrealistic to expect prices to be completely unaffected as demand increases. In the housing market, the price responses seem to dominate the quantity supply responses, which can have undesirable consequences. A period of rapidly rising prices does not only make it harder for first home buyers to purchase a home; if the price growth is extrapolated into expectations about the future, it can engender a speculative boom that, with its attendant increase in leverage, could be harmful to financial stability.⁸⁰

2.79 The RBA was asked by the committee to describe the kind of macroeconomic risks posed by excessive investor activity in the housing market. Dr Ellis responded that the RBA's principal concern at the moment was the impact price falls might have on the financial stability of households:

In particular, the more you have an upswing in housing prices now, being driven by investors in particular, the more likely it is that the end of that boom will be a more severe decline in housing prices. That can catch out certain households—potentially, not the ones that were engaged in bidding house prices up to begin with.⁸¹

78 Dr Luci Ellis, Head, Financial Stability, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 10.

79 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 11.

80 Reserve Bank of Australia, *Submission 14*, p. 7.

81 Dr Luci Ellis, Head, Financial Stability, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 5.

2.80 If households found themselves in negative equity following a fall in house prices, more borrowers would default, impacting on spending and the wider economy. Dr Edey added:

The important thing to remember is that distribution matters. A one per cent fall in household wealth does not make much difference if it is evenly distributed. But if it manifests as, for example, one per cent of households losing their homes, that will have quite a severe effect on household spending and welfare. So that is what we are really concerned about. It is a slightly complicated transmission from the current developments to the shock that we are worried about. It is very hard to calibrate exactly how large that is because it is not something we have seen in Australia before. But it is certainly something I do not want to find out how big it is when it happens; I would prefer to avoid it.⁸²

Committee view

2.81 The committee is keenly aware that declining housing affordability is not a new problem. In fact, few public policy issues have been subject to as much commentary and debate in recent years as the cost of housing in Australia. The current inquiry has nonetheless served to underline for the committee the extent to which poor housing affordability threatens the social and economic fabric of the nation, while throwing into sharp relief the increasingly urgent need for well-considered policy responses.

82 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 5–6.

Chapter 3

The drivers of housing affordability in Australia

3.1 In seeking to explain the decline in housing affordability in Australia in recent decades, some of the evidence received by this committee focused predominantly on either supply-side or demand-side factors. Taken as a whole, however, the evidence points to an affordability problem that is driven by a complex interaction of factors. Whether the weight of these factors falls on the supply-side or demand-side, the evidence points to a substantial mismatch in supply and demand in the housing market. As DSS explained in its submission, while:

...demand for housing has increased significantly over the last 30 years, the supply of new dwellings has not responded, with average annual completions of new dwellings remaining around 150,000 since the mid-1980s.¹

3.2 This chapter provides an overview of the drivers of housing affordability in Australia, and in turn considers the need for government policies to take account of these drivers so that policy interventions are efficient and effective.

An overview of supply-side and demand-side considerations

3.3 Some witnesses told the committee that the problem of housing affordability was principally one of supply constraints. For instance, MBA argued:

...that when you really drill down to the problem that needs to be solved, it is an issue of supply or the lack thereof. That is not to say that in the short term there are not issues that perhaps arise from cyclical factors that may need some sort of attention. But our proposition is that unless governments—and I put this in the plural—address the whole issue of housing supply then unfortunately and regrettably we may have even more of these inquiries looking into housing affordability.²

3.4 The HIA also framed the issue of affordability as essentially a consequence of a 'persistent imbalance between growth in demand for housing and the slow rate at which the nation has added to the housing stock.'³ There were various reasons for this constrained supply, it submitted, including the inadequate supply of developable land (discussed in chapter seven), the impost of taxes and charges on new housing (discussed in chapter six) and delays in providing supporting infrastructure for new

1 Department of Social Services, *Submission 198*, p. 4.

2 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 34.

3 Housing Industry Association, *Submission 178*, p. 3.

developments.⁴ The HIA argued that the combination of constrained housing supply and a rapidly growing population had:

...resulted in a systemic deterioration in housing affordability. This has meant that households across a wide range of Australia's housing continuum are now facing increasingly restricted housing choices. It has now been 10 years since a reasonably tight historical linkage between population growth and new housing supply disconnected. The current cyclical recovery in new home building will provide a partial and temporary reprieve, but we do face a structural undersupply of adequate affordable and readily available shelter. The housing challenge, be it for first homebuyer accessibility or those with the most restricted choices along the housing continuum, has one root cause—that is a lack of readily available housing supply.⁵

3.5 According to the HIA, over the past 20 years Australia has, on average, added around 156,000 new houses per annum to existing stock. Yet, it continued, under the most conservative estimates Australia will need to add about 180,000 per annum between now and 2050 in order to 'successfully house our growing and ageing population. The difference is very wide and it is growing by the day.'⁶ The HIA submitted that the:

...long term failure of new housing supply to keep pace with the growth in demand manifests itself in a considerable constraint on the housing choices available to Australians. Households experience lower levels of housing affordability when their housing choices are restricted. Restriction to the point of exclusion is evident in the case of Australia's homeless, while a severe restriction is evident in the under-provision of low income public and social housing. Restrictions also exist in the private rental market, especially for low and lower-middle income renters, but also for low/middle income owner-occupiers.⁷

3.6 The HIA noted that despite strong population growth over the period 2004 to 2013, largely resulting from net overseas migration, the annual number of new homes commenced had declined in seven out of the ten years. Moreover, the HIA noted that since the economic recession of the early 1990s, new home building in Australia has experienced three episodes of recession—in 1996–97, 2001 and 2009, with a fourth episode narrowly avoided in 2012. While welcoming a recent improvement in new home building activity, the HIA maintained that under current policy settings this improvement 'will be insufficient to see Australia attain building levels commensurate

4 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, pp. 44–45.

5 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 43.

6 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, pp. 43–44.

7 Housing Industry Association, *Submission 178*, p. 3.

with the requirements of providing an adequate and affordable level of housing to a growing and ageing population'.⁸

3.7 The HIA emphasised the interconnectedness of the different types of housing supply, and explained how shortages in one area flowed through to others. That is, inadequate supply in one type of tenure (purchase, rental, community or public housing) has a cascading effect, creating pressures across the housing continuum.⁹

3.8 BIS Shrapnel also suggested that the 'primary factor underlying the deteriorating affordability of housing in Australia has been the inability of supply to keep pace with the underlying demand for new dwellings, and the resulting emergence of a significant national undersupply'.¹⁰ The UDIA made essentially the same point, telling the committee:

We simply do not build enough new homes and have not done so for a number of years. In the face of rapidly increasing demand, this undersupply of new housing has led to rapidly increasing prices and declining affordability.¹¹

3.9 High population growth resulting from immigration was identified by a number of witnesses as a key driver of growing demand for housing. The Department of Immigration noted that Net Overseas Migration (the net gain or loss of population through migration to and from Australia) 'can fluctuate considerably from year to year, but has exceeded the natural increase in the population since 2005'.¹² The Department noted that the likely continuation of strong population growth would continue to increase demand pressures on housing supply. At the same time, Australia's skilled migration policy would:

...go some way to reducing skill blockages and labour shortages which can impede housing construction, and therefore can contribute positively to improving housing affordability.¹³

3.10 The UDIA submitted that while population growth offered Australia many benefits, governments needed to provide for the growing population with improved processes for land release, house construction and infrastructure creation. Their collective failure to do so, UDIA argued, has:

8 Housing Industry Association, *Submission 178*, p. 3.

9 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 43.

10 BIS Shrapnel, *Submission 16*, p. 1.

11 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 66; Urban Development Institute of Australia, *Submission 190*, p. 9.

12 Department of Immigration and Border Protection, *Submission 113*, p. 2. The submission was made in March 2014, and considered Net Overseas Migration through to 2012–13.

13 Department of Immigration and Border Protection, *Submission 113*, p. 2.

...meant that the supply of new housing has struggled to keep up with increasing demand, and both rents and house prices have risen dramatically as a result.¹⁴

3.11 The REIA told the committee that at a recent roundtable it had convened with industry leaders, housing supply was identified as the main factor that needed to be addressed to improve affordability.¹⁵ At that roundtable, the then Minister for Social Services, the Hon Kevin Andrews MP, noted that the shortfall in housing supply was projected to rise from 228,000 dwellings in 2011, to nearly 370,000 dwellings by 2016 and 663,000 dwellings by 2031.¹⁶

3.12 The RBA explained that Australia's urban structure created particular constraints on the ability of supply to respond to demand. Australia's urban population, it noted:

...is unusually concentrated in two large cities, and these and the other large cities have unusually low population densities compared with cities in other developed countries with similar population sizes. It is more costly to build additional housing supply in a limited number of locations; land prices could be expected to be lower if there are more undeveloped locations competing for buyers.¹⁷

3.13 Professor Terry Burke contended that the housing supply shortage in Australia was in part due to the nature of the Australian construction industry. Most countries, he explained, have speculative construction industries, where builders add stock in anticipation there will be buyers for it. However, Australia has a contract building system in which a consumer needs to commission new construction. As a result, it was hard to have an oversupply in Australia, but quite possible to have an undersupply.¹⁸

3.14 Prosper Australia disputed the idea that an undersupply of housing was driving price increases. Prosper Australia researcher, Mr Phillip Soos, told the committee that since the 'price boom' had begun in 1996, Australia had built one new dwelling per 1.9 new people, not far from the long-term post-war average of one new dwelling per 2 new people and well below the average household formation of

14 Urban Development Institute of Australia, *Submission 190*, p. 9.

15 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

16 The Hon Kevin Andrews MP, 'Opening remarks to the Real Estate Institute of Australia Housing Affordability Roundtable', 26 March 2014, <http://www.formerministers.dss.gov.au/15342/opening-remarks-to-the-real-estate-institute-of-australia-housing-affordability-roundtable/>.

17 Reserve Bank of Australia, *Submission 14*, p. 8.

18 Professor Terry Burke, private capacity, *Proof Committee Hansard*, 9 September 2014, pp. 14–15.

2.7 people per household.¹⁹ Mr Soos pointed to the recent booms and busts in housing markets in the United States and various European nations, where claimed housing supply shortages during boom periods had subsequently proven non-existent:

During the boom it is difficult to see that supply, especially when the vested interests—anywhere from the real estate institutes to the banks to the government—all get together in a chorus saying that there is a shortage. In Ireland and Spain they had strong immigration rates, approaching two to three per cent, as we have had in Australia in the last half a decade, but those markets still went down-under, because if immigration had an effect on prices you would see it in rents as well. Rents have remained mostly flat over the last decade or so.²⁰

3.15 According to Prosper Australia, price inflation is not caused by supply shortages, but rather by debt-fuelled speculative demand driven by the preferential tax treatment of land.²¹

3.16 Contrary to the evidence presented by Prosper Australia, the HIA told the committee that over the past decade rents in Australia have increased by about 55 per cent, which is roughly in proportion to the 62 per cent growth in residential property prices. On this basis, the HIA rejected the idea that strong price growth in residential property prices has been due to speculative demand:

Rental prices reflect the value of housing services rather than any entitlement to future growth. Strong concurrent growth in home prices and rental prices is consistent with the demand for housing services exceeding the supply.²²

3.17 Against Prosper Australia's suggestion that housing supply relative to population growth was more or less trending near to the historical average, Mr Eslake observed that from the end of World War II until the early 1990s, housing stock increased at a much faster rate than population growth. The growth in housing stock, Mr Eslake wrote, slowed in the decade from 1991 to 2001 (18.3 per cent), but still outstripped population growth (11.5 per cent). However, in the decade from 2001 to 2011, population growth (15.9 per cent) actually outstripped housing stock growth (15.2 per cent), the first time this had occurred in the post-war era. The failure of housing stock growth to keep pace with population growth had occurred despite

19 Mr Philip Soos, Researcher, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, p. 7.

20 Mr Philip Soos, Researcher, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, p. 7.

21 Prosper Australia did, however, suggest that while there was no shortage of housing supply, there was a shortage of supply of affordable housing. This apparent contradiction could be explained, it argued, by the fact that prices were not based on fundamentals like rents, income, GDP and inflation, but on debt speculation. Mr Philip Soos, Researcher, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, p. 9.

22 Housing Industry Association, *Submission 178*, p. 5.

demographic trends that, according to Mr Eslake, would have warranted a reverse scenario (that is, housing stock growth exceeding population growth) if supply was properly responsive to demand. These trends included:

- average family sizes declined between the early 1960s and the early 1990s, implying that more dwellings are required to accommodate the same number of people;
- family breakdowns have meant that more dwellings are required to accommodate the same number of people; and
- population ageing has resulted in more people living alone, again increasing the number of dwellings required to accommodate the same number of people.²³

3.18 A number of witnesses argued that declining housing affordability could not be viewed simply as a function of supply constraints. As noted later in this chapter, Dr Winter recommended that government housing assistance and subsidies should be directed towards increasing housing supply. However, he also noted that supply was not the only consideration, and pointed to research showing that Sydney prices had experienced strong growth despite a significant rise in dwelling completions:

City dwelling completions doubled from 14,000 to 28,000, so that is a doubling of supply over that period of time, yet house prices still went up by 21 per cent. An exclusive focus on supply is not going to solve the problem. It is obviously one very important part, but it cannot be the be-all and end-all of trying to solve affordable housing problems in Australia.²⁴

3.19 A similar point was made by Mr Adam Mills, Senior Strategic Planner for the City of Melbourne. According to Mr Mills, the City of Melbourne:

...is seeing unprecedented levels of new housing. In 2013 the City of Melbourne was the fastest-growing local government area in Australia, with 11,000 new residents. Last year there were more than 3,000 dwellings completed, which is expected to increase to over 5,000 this year and then up to 8,000 new dwellings in 2015. This is against the historic average of around 2,000 dwellings, so it is significant. Yet this increased supply in the central city is not improving housing affordability. In fact, affordability is worsening.²⁵

Financial deregulation and disinflation as drivers of housing price growth

3.20 In its submission, the RBA observed that in the decade or so up to 2003, Australian house prices had increased by about two-thirds relative to income. This

23 Mr Saul Eslake, *Submission 2*, pp. 3–5.

24 Dr Ian Winter, Executive Director, Australian Housing and Urban Research Institute Limited, *Proof Committee Hansard*, 9 September 2014, p. 14.

25 Mr Adam Mills, Senior Strategic Planning, City of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 29.

increase, it explained, was primarily the result of a secular shift resulting from disinflation and financial deregulation:

[T]he primary driver of this large increase in housing prices relative to income was the secular decline in average interest rates brought about by the decline in inflation in the 1990, together with some increase in borrowing capacity enabled by financial deregulation.²⁶

3.21 The RBA stressed, however, that housing price growth should not be conflated with declining affordability. To the extent Australian borrowers were better able to service larger loans with the same repayment, affordability could not be said to have worsened. This was the case, it argued, even if house price growth had outpaced household income growth.²⁷

3.22 Moreover, it was reasonable to suppose, the RBA told the committee, that the structural shift in housing prices in the decade prior to 2003 was unlikely to recur, even if prices had recently started to rise out of ratio to household income growth:

Both the shift to low inflation and the comprehensive deregulation of the financial system are things that happen only once. In broad terms, the adjustment of the housing market to this new environment seems to have been completed by around the middle of last decade. Since then, the ratio of housing prices to incomes has been relatively stable but, for reasons I have already alluded to and which I will come back to, it has been rising recently and is now at the upper end of its recent range.²⁸

3.23 DSS also noted that since the introduction of financial deregulation in the mid-1980s, Australians have had greater access to capital for both consumption and investment. This had in turn flowed through to house price growth:

[T]his increased access to capital has largely been used by households to increase their consumption of housing. The additional consumption of housing by both owner-occupiers and investors has increased significantly as official interest rates have continued to fall to record lows. This increase in 'financial' demand for housing has been supplemented by an increase in 'actual' demand for housing, driven by increases in Australia's estimated resident population by around 48 per cent since 1984 and by around 9 per cent since 2008.²⁹

26 Reserve Bank of Australia, *Submission 14*, p. 6.

27 Reserve Bank of Australia, *Submission 14*, p. 6. The RBA does allow that such growth in house prices 'may, however, have some implications for intergenerational equity if first home buyers increasingly rely on parental assistance or bequests to fund larger deposits (and thus higher prices) than they could sustain from their own resources, because such assistance may not be available to the children of renters.'

28 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 1–2.

29 Department of Social Services, *Submission 198*, p. 4.

3.24 Associate Professor Yates provided a useful summary of how structural supply and demand trends had interacted to drive price increases since the 1980s. In doing so, she located these trends within a global context:

From the mid-1980s until the series of global crises that began in 2007, global trends fuelled housing demand. Real household incomes increased; disinflation meant that nominal interest rates fell and borrowing capacity increased; deregulation and financial innovation meant that finance was more readily available. These demand pressures have been exacerbated in Australia by population growth and by increased longevity. Increased demand, together with a sluggish dwelling supply response, contributed to dwelling prices rising ahead of household incomes and reduced access to home ownership for first home buyers.

Rising prices have contributed substantially to the wealth of home owners and this has reinforced the demand for larger and better located homes. This, in turn, has added to difficulties faced by first home buyers (and, consequently by renters). For over a decade, supply has failed to keep pace with increased demand. Any lack of confidence by Australian households in the Australian economy, depresses effective demand, but also aggravates supply shortfalls. In the longer term, if no intervention is undertaken to improve supply, underlying demand pressures are likely to keep aggregate house prices at levels that remain unaffordable for low and moderate income households and rents are likely to continue to increase.³⁰

The impact of foreign buyers

3.25 The effect of foreign investment in residential property was not a key concern of this inquiry, although it was raised by a handful of witnesses as a potential cause of recent house price inflation. In this regard, the committee notes Professor Andrew Beer's point that while in recent years some private investment in property appeared to be coming from offshore, and in particular China, 'there is a lot of debate about the quality of the data in terms of understanding the full size of that impact.'³¹

3.26 The committee notes that the House of Representatives Standing Committee on Economics held an inquiry on the subject and released its *Report on Foreign Investment in Residential Real Estate* in November 2014. The inquiry produced four key findings. They were that: there is a lack of accurate or timely data that tracks foreign investment in residential real estate; there had been a 'significant failure of leadership' by the Foreign Investment Review Board (FIRB), which was 'unable to provide basic compliance information to the committee about its investigations and enforcement activities'; there needs to be a greater willingness to enforce foreign investment rules in order to improve compliance; and the Australian taxpayer

30 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 2.

31 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 18.

currently 'foots the bill' for the administration of FIRB and the Foreign Investment and Trade Policy Division of Treasury. The committee made 12 recommendations following from these findings.³²

Ensuring policy interventions responses are effective

3.27 While witnesses tended to focus on either supply-side or demand-side drivers of housing costs, many acknowledged that housing affordability could not be rightly characterised as a 'supply-side problem' or a 'demand-side problem'. Similarly, several witnesses reminded the committee that the drivers of poor affordability were not uniform across the country. Rather, as AHURI put it, the 'causes and nature of Australia's affordable housing problems are complex, diverse and interact differently in different parts of Australia'.³³

3.28 Given the complexity of the causes of the housing price growth, it follows that a policy response that focuses simply on supply or demand will be found wanting. As Professor Beer told the committee, housing affordability:

...is a multiple challenge and something that should not be underestimated. It needs multiple solutions operating in all dimensions of the housing supply and demand equation. Solutions that focus only on demand will be inadequate and solutions that focus only on supply will be inadequate.³⁴

3.29 Similarly, the RBA told the committee that trying to cast housing affordability as a supply-side or demand-side problem missed the point. Instead, as Dr Edey explained, it was necessary to understand that:

...housing prices and affordability are affected by the interaction of both supply and demand factors. The factors that I have mentioned so far—household incomes, the cost and availability of finance—primarily affect the demand side of the market. In the short to medium term it is those sorts of factors that will tend to have the predominant influence on housing price movements. The reason for that is that the supply side of the market is dominated by a large existing stock of dwellings and new supply takes time to come on stream. In the longer term, however, supply factors are critically important. It is the supply response that determines the extent to which additional demand results in higher prices over time. Our submission highlights that Australia faces a number of longstanding challenges in this area. These include regulatory and zoning constraints, inherent geographical barriers and the cost structure of the building industry. There

32 House of Representatives Standing Committee on Economics, *Report on Foreign Investment in Residential Real Estate* (November 2014).

33 Australian Housing and Urban Research Institute, *Submission 93*, p. iii.

34 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 10.

are also obstacles to affordable housing created by Australia's unusually low density urban structure, although this is gradually changing.³⁵

3.30 Dr Edey noted that the RBA was not seeking to offer policy prescriptions to improve housing supply. However, he nonetheless made the general point that:

...we cannot improve housing affordability simply by adding to demand. Targeted assistance can certainly help particular groups, such as first home buyers, but without a supply side response any generalised increase in demand will just be capitalised into prices. An important emphasis in our submission is that due attention needs to be given to supply side factors in any policy response to perceived problems of affordability.³⁶

3.31 A number of witnesses argued that poorly considered housing policies not only fail to achieve their objectives, but risk compounding the problems they were intended to address. This was particularly true if policies simply served to stimulate demand in supply-constrained markets, or inhibited otherwise efficient market-driven supply responses to housing needs. As the CFRC explained, governments have traditionally intervened in the housing market to:

...improve allocative and productive efficiency by addressing market failures, to enhance equity and to contribute to macroeconomic stability and growth. Ideally, such intervention enhances people's housing opportunities and ensures equitable access to housing.

Badly-designed housing interventions, however, can have substantial negative effects. Assistance that increases demand for housing is unproductive if it is capitalised into dwelling prices because of sluggish supply responses in housing markets. Supply side subsidies may crowd out private investment that would otherwise have occurred or may displace those who are already disadvantaged in housing markets.³⁷

3.32 In its submission, DSS went to the heart of what government housing policy should be directed toward: in the end, it concluded, housing affordability would only be improved through a structural reduction in demand for housing, or an increase in supply. To this end, the best way governments could improve housing affordability was to 'seek to alter the framework within which the housing market operates, rather than through direct interventions in the operation of the market'.³⁸

35 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 2.

36 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 2.

37 City Futures Research Centre, UNSW, *Submission 152*, p. 4.

38 Department of Social Services, *Submission 198*, pp. 3–4.

Committee view

3.33 The committee acknowledges the complexity and urgency of housing affordability in Australia, and does not believe the issue is rightly categorised as either a 'supply-side problem' or a 'demand-side problem'. With this in mind, it is clearly evident that supply is currently not keeping pace with demand in the housing market. In this context, policy interventions that add to demand without addressing or at least accounting for supply-side constraints risk inflating housing prices and compounding affordability problems.

Chapter 4

A Commonwealth Housing Minister

4.1 A broad range of views were expressed during the inquiry regarding the role of governments in facilitating good housing outcomes, both in terms of the provision of affordable housing and in promoting housing affordability more generally. A common theme in many submissions was that government policies need to be holistic in their design and implementation. Specifically, it was argued that while housing assistance was an important responsibility of government, housing policy should not be regarded as simply an adjunct of welfare policy. Instead, governments should approach housing policy as, at once, social, economic, taxation and infrastructure policy, and more so besides.

4.2 Some witnesses argued that in order to properly reflect and address the cross-portfolio nature of housing policy, the Commonwealth should appoint a dedicated housing minister. A number of these witnesses further argued that a Commonwealth housing minister should not be narrowly cast as a minister for housing assistance or a minister for social housing. Indeed, some suggested that rather than locating the housing portfolio within the Department of Social Services, it would be more appropriate to move the portfolio to one of the central agencies, such as the Treasury or the Department of the Prime Minister and Cabinet.

4.3 This chapter considers these calls for a Commonwealth housing minister, and arguments regarding the location of the housing portfolio within the Australian Government.

A Housing Minister, not a Housing Welfare Minister

4.4 A key idea to emerge from this inquiry was that housing policy should not be viewed exclusively or even predominantly as a welfare issue. National Shelter told the committee that a whole-of-system policy response was required if Australia were to prevent the current housing 'crisis' from becoming a 'catastrophe':

We too frequently talk about affordable housing as just the welfare end of the spectrum. We can never fix it from the welfare end; we have to actually fix the system to make more affordable housing available for people on low incomes and very low incomes. That means looking at how the market operates, looking at the tax treatment of housing, looking at our funding of affordable and social housing, and the very models and approaches that we have to housing affordability in Australia.¹

1 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 33.

4.5 According to a number of witnesses, the design and delivery of holistic housing policies required the appointment of a dedicated Commonwealth housing and homelessness minister. (Whereas the former Labor Government had included a dedicated Minister for Housing and Homelessness,² under the current government the Minister for Social Services now has portfolio responsibility for housing and homelessness policy and programs.) For instance, ACOSS told the committee that it was:

...very disappointed not to have a designated housing minister in this current government. Partly because the issues are so complex and there are multiple policy levers across different portfolio areas, it is a loss not to have a minister who has the capacity to have a fairly single minded focus on those issues.³

4.6 Professor Dalton told the committee that the profile of housing policy had generally waned in recent decades. This decline, he argued, was reflected in the relatively junior status of housing ministers under Labor governments (with some exceptions), and the absence of a dedicated housing minister under both the Coalition government of the Hon John Howard OM AC and the current government.⁴

4.7 The CFRC also expressed concern about the current lack of a dedicated Commonwealth housing minister 'with responsibility both for housing policy and for assessing the impacts of Australian Government policy more broadly on the housing system'. At the same time, it suggested that the 'procession of six short term Housing Ministers' under the former Labor government 'provided limited opportunity for strategic housing policy development'.⁵

4.8 Arguing the need for a coordinated, intergovernmental approach to housing policy, NT Shelter recommended that the Australian Government 'appoint a single Minister for Housing, Homelessness and Urban Development with responsibility to coordinate housing-related policy decisions across agencies'.⁶

4.9 For its part, the HIA argued that states and territories were not held sufficiently accountable by the Commonwealth for the housing-related funding they

2 Ministerial titles included Minister for Housing (3 December 2007 to 14 September 2010), Minister for Social Housing and Homelessness (14 September 2010 to 14 December 2011), Minister for Housing and Minister for Homelessness (14 December 2011 to 25 March 2013), and Minister for Housing and Homelessness (23 March 2013 to 18 September 2013).

3 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 28.

4 Professor Tony Dalton, Professor of Urban and Social Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, pp. 12–13.

5 City Futures Research Centre, UNSW, *Submission 152*, p. 6.

6 NT Shelter, *Submission 118*, p. 13.

received, and this lack of accountability underlined the need for a Commonwealth housing minister.⁷

4.10 Many of the witnesses arguing the case for a dedicated Commonwealth housing minister also emphasised the importance of defining a housing minister's roles and responsibilities broadly so as to capture issues beyond social housing and housing assistance. For instance, National Shelter stressed that a national housing minister should not act simply as a minister for welfare housing. Rather, a national housing minister should also be engaged with Treasury on tax policy and other relevant economic matters.⁸ Asked where a housing minister might sit in the federal government, ACOSS responded that the housing portfolio would be better placed in one of the central agencies rather than in DSS:

Perhaps in a way you would ultimately want it to sit under the Prime Minister. Certainly Treasury has a key role to play around tax settings, depending on the outcomes of this reform process. I would be concerned about seeing housing sitting as a subsidiary of social services because of the 'welfarisation' of housing. Housing is a mainstream economic issue and relates to employment and economic participation. In that way, it needs to be a central and cross-cutting theme of government, I would argue. So, without fully answering the question, I think the housing minister should be located somewhere centrally.⁹

4.11 The CFRC also suggested that the placement of housing in the social services portfolio or similar since 1996 'has perpetuated the narrow and inadequate framing of housing as a welfare issue'.¹⁰ Referring to its call for the appointment of a Commonwealth housing minister, the HIA said that in the past housing ministers had:

...been captured by the inevitable but understandable call for additional social housing, additional housing at the lower end of the income continuum. Essentially a housing minister at a federal level becomes a minister for payments and writing cheques or instructing cheques to be written. That is not, in our view, an appropriate responsibility or portfolio for a housing minister; a housing minister needs to look at housing supply; it needs to look at housing demand; it needs to look at the issues that are impacting upon housing, including infrastructure, including taxation, including town planning delays. They may not necessarily fit at a federal

7 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 47.

8 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 36.

9 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 28.

10 City Futures Research Centre, UNSW, *Submission 152*, p. 7.

government level but certainly they are matters that impact on housing supply and as such will impact on future government expenditure.¹¹

Committee view

4.12 The committee believes governments, including the Commonwealth, have a legitimate role, and indeed a responsibility, to use policy interventions to improve the efficiency, efficacy and, critically, the affordability of the housing market. As such, the current lack of a dedicated Commonwealth housing minister is a matter of concern for the committee. Housing-specific policies, and policies that shape the housing market more broadly, have direct and in some cases profound effects on the life outcomes of Australians across the socio-economic spectrum and in all tenure types. In this context, the committee believes there is a clear need for a dedicated Commonwealth housing minister able to provide cross-portfolio and national leadership on this important policy issue.

4.13 Housing and homelessness is a particularly complex policy area, and the committee believes addressing housing purely or overwhelmingly as a social policy or 'welfare' issue is problematic. This is particularly true at the Commonwealth level, where taxation and other broad economic settings have a fundamental influence on the housing market. The committee recognises that housing policy will necessarily be cross-portfolio (and, as discussed in the next chapter, intergovernmental) in its design and execution, but believes greater emphasis needs to be given to the economic dimensions of policy settings than has been the case in recent years.

4.14 In order to reflect properly the cross-portfolio nature of housing and homelessness issues and better leverage policy tools and expertise, the committee believes that the housing and homelessness portfolio would be best placed within a central agency of government, such as the Department of the Prime Minister and Cabinet or Treasury. There is ample precedent for such a move: a recent example would be the current government's decision to move Indigenous policy from the Department of Families, Housing, Community Services and Indigenous Affairs (now the Department of Social Services) to the Department of the Prime Minister and Cabinet. The Prime Minister, the Hon Tony Abbott MP, explained that this move would give Indigenous policy 'the full focus of the Prime Minister and across-government implementation'.¹² Alternatively, the housing and homelessness portfolio might be better placed within the Department of Infrastructure, with formal links to the central agencies.

11 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 47.

12 Media release, 'Tony Abbott – Establishment of a Prime Minister's Indigenous Advisory Council, 10 August 2013, <http://www.liberal.org.au/latest-news/2013/08/10/tony-abbott-establishment-prime-ministers-indigenous-advisory-council>.

Recommendation 1

4.15 The committee recommends that the Australian Government appoint a Minister for Housing and Homelessness, with the portfolio to be located in a central agency such as the Department of the Prime Minister and Cabinet or the Treasury, or in the Department of Infrastructure with formal links to the central agencies.

Chapter 5

Housing as intergovernmental policy: roles, responsibilities and accountability

5.1 A central theme emerging from the evidence received in this inquiry was that all levels of government have an interest in addressing housing affordability and improving the supply of affordable housing. Moreover, there was broad agreement that good housing outcomes will only be achieved if all levels of government coordinate and align their efforts.

5.2 The institutional architecture for housing policy, particularly in the intergovernmental space, was found wanting by many witnesses. In particular, there was strong support for establishing a body with equivalent functions to the recently abolished NHSC. Some witnesses also recommended re-establishing a Council of Australian Governments (COAG) ministerial council on housing and homelessness (with the previous ministerial council having been abolished in December 2013). This chapter explores and assesses these arguments.

5.3 This chapter also considers whether a national housing plan might help improve the consistency and coherence of Australian housing policy. In particular, this chapter outlines and weighs evidence suggesting that a national housing plan could enhance intergovernmental efforts to improve housing affordability, and help ensure the supply of affordable housing is as efficient and effective as possible.

Roles, responsibilities and the need for intergovernmental coordination

5.4 Both the Commonwealth and states and territories (and by extension, local governments) are responsible for policy settings that shape housing affordability outcomes. Moreover, both levels of government provide direct housing assistance and homelessness services to help people unable to access and maintain appropriate housing in the private market. The division of responsibilities between the Commonwealth and the states and territories, and the degree of overlap in these responsibilities, was set out recently in the Reform of the Federation White Paper issues paper on housing and homelessness (see Figure 5.1).

Figure 5.1: Summary of Commonwealth and State and Territory roles and overlaps

Area	State and Territory role	Commonwealth role	Overlaps
Policy	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Oversee policies that directly affect the housing market (land release, zoning, land taxes). Social housing and homelessness policy.	Oversees policies that indirectly affect the housing market (migration, tax settings, financial services regulation). Commonwealth Rent Assistance (CRA) policy. Influences national social housing, homelessness and Indigenous housing policy.	Both levels of government share responsibility for policy to address housing affordability pressures.
Funding	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Fund social housing and specialist homelessness services. Funds grants and concessions for first home buyers.	Provides funding to States and Territories for social housing and homelessness services. Funds the National Rental Affordability Scheme (NRAS). Funds CRA. Funds Commonwealth homelessness programmes.	Both levels of government jointly and separately fund housing assistance and homelessness programmes.
Delivery	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Oversee delivery of housing and homelessness services (often provided by non- government organisations).	Typically not involved in delivery of housing services. Delivers CRA payments to individuals. Limited direct involvement in homelessness services.	Limited overlap in delivery of individual programmes.
Regulation	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Regulate housing (community housing, tenancy management, planning, land release and zoning). Local governments also regulate residential planning and construction.	Regulates NRAS.	Little regulatory overlap.

Key	
Who leads	Level of overlap
Lead	High
Secondary	Medium
Shared lead	Low

Source: Reform of the Federation White Paper, Issues Paper No. 2, *Roles and Responsibilities in Housing and Homelessness* (December 2014), p. 12.

5.5 The various responsibilities of each level of government, along with shared roles and responsibilities, are also set out in the NAHA.¹

5.6 It might be noted here that the critical question of which level of government is responsible for what aspects of housing policy is, as DSS told the committee, a matter currently under review as part of the Federation White Paper process. Ms Felicity Hand, Deputy Secretary for Disabilities and Housing, suggested that this aspect of the White Paper process was:

...an excellent initiative because, for many years, many governments have struggled with this issue of supply and homelessness. To have a review of who is doing what and how we make best use of all monies—state and territory money and Commonwealth money—is a very good thing.²

5.7 Very broadly speaking, whereas the Commonwealth's current responsibilities tend to lie on the demand side, the states and territories responsibilities tend to fall on the supply side. Notwithstanding this rough division, the overwhelming view from witnesses to this inquiry was that all levels of government need to work in concert in order to improve housing affordability and the provision of affordable housing. Thus, there was broad agreement with DSS's suggestion that better housing outcomes would 'require all levels of government to work together to address this issue, which directly or indirectly, impacts all Australians'.³

5.8 This view was echoed by a wide range of individuals and organisations. For instance, National Shelter stressed the need for a national, inter-governmental approach involving states and local government.⁴ The REIA, meanwhile, told the committee that:

...governments at all levels have an important role to play in improving affordability by addressing the structural factors that encourage excessive demand for housing and reduce the responsiveness of supply. This is to do with land release, council restrictions, development charges and fees. It is a whole lot of different issues. As we mentioned, it is complex, and it needs all levels of government to work together.⁵

5.9 The REIA made a similar point in its submission, arguing that the Commonwealth needed to:

1 *National Affordable Housing Agreement*, pp. 5–6.

2 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 28 July 2014, p. 3.

3 Department of Social Services, *Submission 198*, p. 4.

4 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 36.

5 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 76.

...take a leadership role and work with the other two spheres of government, state, territory and local, in developing a coordinated and strategic approach to the provision of housing. This means ensuring that complementary policies, covering amongst other things first home buyers, taxation and supply, are in place to achieve this⁶

5.10 The UDIA contended that:

...all levels of Government have a critical responsibility in ensuring all Australians have access to appropriate and affordable housing, because of how fundamentally important it is to the community and economy, and also because government policy has such a powerful and wide reaching impact on affordability.

State and local governments have a primary role to play in ensuring an adequate supply of land, providing sufficient local infrastructure and services, and ensuring an efficient and effective planning system to support new housing. At the same time, the Federal Government has a major role in funding urban infrastructure, supporting affordability and social housing programs, and in undertaking long term strategic population growth planning.⁷

5.11 The CFRC submitted that a 'consistent and assertive national approach' to housing policy was needed to drive improved housing outcomes. It argued that:

...the future governance of Australia's housing is a core issue to be addressed. Effective governance is not a simple matter of one level of government (the Commonwealth or the states/territories) being allocated responsibility and accountability for housing policy. Nor is the simple formulation of less government (regulation) and more market going to work. In our view, the complexity of the issues involved, the significant impact of other ('non-housing') national policy settings on housing outcomes (especially fiscal, monetary and immigration policies) and the challenges mounting in our housing system make national leadership essential.⁸

5.12 Each level of government, Housing Tasmania argued, has a role to play in creating an environment conducive to the effective operation of the private housing market:

Different policy levers are available at each level of government to generate outcomes. The challenge to be met by all levels of government is identifying, agreeing and implementing policy levers that will encourage and support the private market to increase both general and affordable housing supply.⁹

6 Real Estate Institute of Australia, *Submission 88*, pp. 15–16.

7 Urban Development Institute of Australia, *Submission 190*, p. 7.

8 City Futures Research Centre, UNSW, *Submission 152*, p. 6.

9 Housing Tasmania, *Submission 217*, p. 2.

5.13 A common thread in the evidence this committee received was that the various levels of government needed to better coordinate their efforts in relation to housing issues. The UDIA pointed to a trend in recent years toward blame shifting across the various levels of government, with housing policy 'marked by the refusal of governments to acknowledge their role, and a tendency to try and defer that responsibility to someone else'.¹⁰ Similarly, the HIA told the committee of its frustration with:

...the fact that at various points along the continuum councils point to state governments, state governments point to the federal government and the federal government points to state government and local councils. The three levels of government do not seem to be working in concert.¹¹

5.14 HomeGround Services argued that the current lack of coordination and agreed outcomes between governments (as it saw it) meant the housing vulnerability of low income earners in Australia was not being properly addressed:

Governments at all levels need to work together on a clear set of agreed outcomes in order to realise secure housing for all Australians. The current system shows what happens when efforts are not coordinated. For example, the level of Commonwealth payments has a direct and significant impact on rental revenues in the social housing sector and represents a cost shift to the states. Similarly, the greater reliance on Commonwealth Rental Assistance for tenants in private rental over investment in social housing in Victoria represents a cost shift back to the Commonwealth government. Importantly, neither of these strategies address the underlying need for more and better housing for low income earners.¹²

5.15 The committee heard how effective action by one level of government was often contingent on clarity and certainty about what the other levels of government were doing. For instance, the Western Australian Local Government Association (WALGA) identified certain areas of reform that local governments might focus on to improve affordability outcomes, including land use planning strategies, the development of surplus or underutilised local government-owned land, and so on. Yet WALGA added:

Before progressing with any of these solutions, though, it is critical that local governments have a well-informed housing strategy. To do this, they need better access to data to identify local supply and demand issues; they need clarity about state and Commonwealth plans, policies and funding;

10 Urban Development Institute of Australia, *Submission 190*, pp. 7–8.

11 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 47.

12 HomeGround Services, *Submission 70*, p. 18.

and they need a commitment to supporting the outcomes from all levels of government.¹³

5.16 The Local Government of Association of Queensland (LGAQ) made a similar point. It argued that while there were many things that local governments could do to improve housing affordability, many local governments in Queensland simply did not have the fiscal capacity to bear the cost of some of these initiatives, particularly in rural, regional and remote areas. Furthermore, local governments often lacked the legislative or regulatory support 'to do more than encourage or advocate for increased affordability in housing in relation to many of the above identified initiatives'. As such, local government initiatives in Queensland were often dependent on support, including financial support, from the Commonwealth or the state government.¹⁴

5.17 The CFRC complained that since late 2009, COAG had not given adequate attention to a substantial housing reform agenda. It noted that the NAHA, which came into effect in 2009, was:

...intended to operate as a strategic framework for driving a long term partnership with the states on improving housing outcomes. However, in operation, the Commonwealth's influence appears to have been weakened by the new framework and its capacity to drive reform has not lived up to expectations so far.¹⁵

5.18 Given the broad consensus that all levels of government needed to work together to address housing affordability issues, several witnesses expressed concern that the current Australian Government appeared to be reducing (or positioning to reduce) its involvement in housing policy. For example, Dr Lucy Burgmann from the NSW Federation of Housing Associations said she was concerned the Commonwealth's interest in housing policy appeared to be waning, together with its 'appetite for involvement in the housing system as a funder or policy maker'. She expressed specific concern that there were some indications the current government would prefer to leave the housing system to the states or the market to deal with. Against this backdrop, Dr Burgmann told the committee that the Commonwealth:

...has a really important leadership role to play. Not a sole role to play, but a shared role with the states, with local government, with our industry and with other players. Because of the scale of the challenges around housing affordability, which we and others have called a housing affordability crisis, I think it requires us all to turn our attention to it rather than to leave it to others or to just one part of the system.¹⁶

13 Mrs Allison Hailes, Executive Manager, Planning and Community Development, Western Australian Local Government Association, *Proof Committee Hansard*, 11 November 2014, p. 42.

14 Local Government Association of Queensland, *Submission 196*, p. 5.

15 City Futures Research Centre, UNSW, *Submission 152*, p. 6.

16 Dr Lucy Burgmann, Chief Executive Officer, NSW Federation of Housing Associations, *Proof Committee Hansard*, 10 November 2014, p. 11.

5.19 Dr Burgmann added that the Commonwealth controlled many of the taxation levers that shaped the housing system (to the extent that a housing 'system' could be said to exist). Moreover, she added, in relation to providing affordable housing the Commonwealth was best placed to develop and implement 'creative financing mechanisms or guarantees that help trigger private investment, which might be the only way to lead to at-scale affordability'.¹⁷ Professor Beer also argued that:

...there is an ongoing need for some federal engagement with this issue because housing markets in this country operate not only at a state and territory jurisdictional level but also at a national level, and so national oversight is needed.¹⁸

5.20 Asked about the Commission of Audit's suggestion that the role of the Commonwealth in relation to housing policy and service delivery should be reduced, the Council for Homeless Persons responded:

The Commonwealth government holds all the demand drivers for housing at the moment: it holds income, it holds taxation, it holds banking regulation and it holds immigration, which are all key demand drivers, but it has a very limited role in supply. From a state government perspective, I do not think it is acceptable to have one side holding all the demand drivers and the other side expected to pick up the supply problem that is associated with those demands.¹⁹

5.21 Dr Heather Holst, Chief Executive Officer of HomeGround Services, endorsed this view, adding that she would be:

...very sad to see the federal government withdrawing; in fact, I think they need to take a step forward in this space.²⁰

5.22 Some submitted that the current government's apparent relative disinterest in housing policy simply represented more of the same, rather than a break from previous governments. In its submission, the CFRC bemoaned what it described as a lack of leadership and continuity of effort by the Commonwealth in housing policy over the last three decades. It also warned that Commonwealth policy capacity with regard to housing matters:

...has been largely eroded and there has been no long-standing administration dedicated to housing since the early 1990s—a situation

17 Dr Lucy Burgmann, Chief Executive Officer, NSW Federation of Housing Associations, *Proof Committee Hansard*, 10 November 2014, p. 12.

18 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 11.

19 Ms Sarah Toohey, Manager, Policy and Communications, Council to Homeless Persons, *Proof Committee Hansard*, 9 September 2014, p. 55.

20 Dr Heather Holst, Chief Executive Officer, HomeGround Services, *Proof Committee Hansard*, 9 September 2014, p. 55.

contrasting with arrangements in the US, Canada, the UK and much of Western Europe.²¹

5.23 It might be noted that the CFRC was no less critical in its assessment of state and local government approaches to housing policy in recent decades. It suggested that state governments:

...are (increasingly) starved of the resources necessary to run housing assistance programs effectively and the essential coupling of housing, urban and infrastructure policies that should drive new residential development has been largely absent. ... Recently, in a further narrowing of the state level housing policy agenda long standing housing departments have been absorbed into welfare departments in most jurisdictions (WA is a laudable exception) resulting in dilution of a broader housing policy outlook and expertise. Unlike in most advanced economies, local or city governments have very limited and poorly-defined roles in housing and lack the resources and capacity to influence local housing outcomes or to catalyse local responses and bottom up innovation.²²

5.24 Professor Hal Pawson from the CFRC also told the committee that Commonwealth leadership was necessary, given housing policy 'is a national issue that has national importance and is a cause for national action'.²³ He added:

As emphasised in our submission, we believe that all three levels of government have important housing responsibilities and powers. But we also believe that experience has shown that fundamental reforms of the type that we argue are needed cannot be achieved without national leadership from Canberra. Partly that is because some of the most significant government interventions in the housing market are controlled at the Federal level and not by the states and territories.

We recognise that there are complexities to the Commonwealth government's role in this kind of domestic policy area and that, under the federal system, Canberra's ability to impose housing reforms would be limited even under a government that wanted to do that. But we also think that it is not tenable to pretend that, under the Federation, the Commonwealth does not have a remit to lead and coordinate in this area.²⁴

5.25 Ms Maria Palumbo from the Community Housing Council of South Australia told the committee that she 'passionately' believed a national approach was needed to improve housing affordability, and the Commonwealth needed to lead that approach:

21 City Futures Research Centre, UNSW, *Submission 152*, p. 5.

22 City Futures Research Centre, UNSW, *Submission 152*, pp. 5–6.

23 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

24 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

When the Commonwealth drives reform, things happen; when it is left to the states, our experience has been that things meander.²⁵

5.26 Mr Simon Schrapel from Uniting Communities and Dr Alice Clark from Shelter SA endorsed these remarks, with both stressing the need for Commonwealth leadership in the housing policy space.²⁶ Mr Scott Langford from Junction and Women's Housing added his agreement to these arguments, adding:

If you consider that access to appropriate and affordable housing is really the backbone of both a civil society and a strong economy, I fail to see how any argument can stand up to suggest that this is not an issue of national importance. This is a huge opportunity for leadership, and we would expect that some of that would come from the federal level.²⁷

Commonwealth role in supply side policy

5.27 Despite arguing the need for intergovernmental cooperation on housing policy, DSS suggested that supply side issues were primarily a matter for the states and territories. The policy levers to address supply, it told the committee:

...sit primarily with the states and territories. The Commonwealth largely has the demand levers, such as taxation, environment, immigration and a whole range of other things... But supply issues, such as planning approvals, state taxation, housing infrastructure changes and land release, really fit in the state and territory domain.²⁸

5.28 While it was generally acknowledged that the policy levers affecting housing supply tend to reside with the states and territories (as discussed further in chapter seven), witnesses also noted that the Commonwealth could play a constructive role in this space. Noting the significant financial contribution the Commonwealth made in relation to housing—for instance, in CRA payments and money spent on residential aged care facilities—the HIA argued the Commonwealth's role:

...needs to be more than simply writing cheques. They need to take a role in assisting with state and local governments in the provisioning of the necessary infrastructure to support housing developments.²⁹

25 Ms Maria Palumbo, Chair, Community Housing Council of South Australia, *Proof Committee Hansard*, 28 July 2014, p. 40.

26 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 40; Dr Alice Clark, Executive Director, Shelter SA, *Proof Committee Hansard*, 28 July 2014, p. 40.

27 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, p. 40.

28 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 30 July 2014, p. 3.

29 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, pp. 45–46.

5.29 Similarly, when asked what role the Commonwealth might play in addressing inadequate housing supply in Australia, the UDIA responded that the Commonwealth had a 'clear role' to play in the provision of urban infrastructure, including infrastructure such as telecommunications, major roads, public transport and so on.³⁰ Both MBA and the UDIA also argued that the Commonwealth had an important coordination and leadership role to play in facilitating reforms on the supply-side of the housing affordability problem:

When we talk about planning systems being delayed, land supply and that sort of thing, they are not predominantly federal government issues. But I think there needs to be involvement of the federal government in planning for this, coordinating this and taking a strategic approach.³¹

State and territory spending on housing: accountability and transparency

5.30 Several witnesses suggested there was currently a lack of adequate accountability and transparency in how the states and territories used Commonwealth funding for housing policies and programs. In order to address the apparent need for 'greater accountability, greater openness and transparency',³² MBA suggested 'there needs to be tighter metrics in terms of conditions' around Commonwealth-state funding agreements.³³ JELD-WEN, meanwhile, contended there was a 'gaping lack of information' on the outcomes of state programs funded with Commonwealth money:

The paucity of readily available information on the effectiveness of Commonwealth-funded State housing programs and initiatives has reduced transparency and diminished accountability and contributed to uncertainty about the value received from the commitment of scarce Commonwealth taxpayer funds to joint housing programs delivered by State Governments.³⁴

5.31 Junction and Women's Housing told the committee that competition for Commonwealth payments might help promote greater transparency regarding state and territory spending on housing policy:

We would argue that there is some benefit in some directly-contestable funding for the community-housing sector. At the moment it is passed through the states, and how that is then distributed is largely left to the

30 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 66–67.

31 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 69; Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 40.

32 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 34.

33 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 41.

34 JELD-WEN Australia, *Submission 54*, p. 4.

states. The reporting of that is ambiguous, in terms of what is provided back to the Commonwealth. Competition is one way to foster transparency.³⁵

5.32 The National Council of Women of Australia told the committee that the Commonwealth should better target its spending to develop areas of particular need, and related this back to the need for better accountability:

I think too that if you came to an agreement with Commonwealth-state bodies, it makes it more accountable if you say, 'This is an area of need that you need to put this money into for redevelopment. Let's see what you do with it.' Quite often it can be scattered around, and there seems to be very little accountability in some cases about what the money is actually being spent on. You only have to look at the money supposedly spent in the Northern Territory on Aboriginal housing, which we know has fallen far short of any target, and very few houses have been built despite great aspirations about fixing the problem of 10 years ago. They were going to build 750 houses in the Northern Territory. I doubt they have built more than 75. Where has the money gone? Where is the accountability of this money, where the Commonwealth hands over the money and does not say, as with any good governance, 'What have you done with it? Show us where you spent it and we'll see if it is worthwhile giving you the next lot.' I think anyone who gives out money has a right to ask what it is being spent on.³⁶

5.33 Dr Winter also criticised the lack of requirements attached to how states and territories used Commonwealth funding provided under the NAHA:

The other component of the NAHA reform we need to take is to reintroduce and retie matching of funds. The current federal financial agreements whereby there is not a tying of the matching of the funds I think just leads to uncertainty on the federal government's part about where the funds are going and what the states' contributions to those things are. So I think some of that discipline of the old Commonwealth-State Housing Agreement needs to be in a new national formal housing agreement as well.³⁷

5.34 While some witnesses focused their attention on the apparent need for enhanced accountability regarding the expenditure of public funding on housing policies and programs, others referred to the burden associated with excessive reporting. Community Employers WA, for instance, warned against excessive reporting obligations, particularly in relation to the not-for-profit sector. It suggested that housing providers were often forced to respond to:

35 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, p. 41.

36 Ms Margaret Findlater Smith, National Coordinator of Standing Committees, National Council of Women of Australia, *Proof Committee Hansard*, 30 July 2014, p. 57.

37 Dr Ian Winter, Executive Director, Australian Housing and Urban Research Institute Limited, *Proof Committee Hansard*, 9 September 2014, p. 20.

...excessive questioning of line item by line items on minor Grants comparing budgets to actual in instances where the overall spending is in line with the authorised amounts.

As part of the Committee's Inquiry, we would support a recommendation to continue focusing on how the overview and accountability mechanisms can be designed to minimise the extent and level of compliance. We would recommend that States and Territories, and recipients of funding grants, be empowered and encouraged to deliver Affordable Housing more efficiently without excessive reporting and red tape.³⁸

5.35 Housing Tasmania argued that public accountability was in fact already a key element of the current federal financial relations framework, including National Agreements and National Partnership Agreements related to housing and homelessness. The problem, according to Housing Tasmania, was not a lack of emphasis on accountability, but rather that:

...the performance frameworks were hastily conceived and while it has proved robust in some areas in others source data to measure performance has been problematic. In addition some concepts are difficult to operationalise into performance indicators such as social inclusion while other issues are notoriously difficult to measure accurately, for example counting homelessness.³⁹

The institutional architecture of housing policy

5.36 Given the importance of coordinated and integrated intergovernmental approaches to housing policy, some witnesses made the case for improving the institutional architecture of housing policy. Professor Jago Dodson from RMIT University explained why he thought this architecture was currently lacking:

We do not have a particularly coherent system of organising our housing policy in Australia. We have the federal government involved in various aspects through the [Australian Taxation Office], the Treasury, the RBA, the DSS and other agencies. We have state planning and housing agencies involved in housing processes and we have a raft of local governments that deal with housing considerations in various ways, including in relation to planning. We lack a systematic way of coordinating all the policy settings at those different levels of our governance system in a way that can work coherently and with coordination towards social objectives that we as an overall society might have set.

That means not only that our policy architecture is weak and fragmented but also that it is interfacing with quite a complex economic system around the supply of housing. If you take the finance sector, the building sector, the construction sector and the planning sector, they all have their own

38 Community Employers WA, *Submission 46*, p. 2.

39 Housing Tasmania, *Submission 217*, p. 12.

subsystem arrangements that also face problems of coordination in responding to market processes.⁴⁰

5.37 There was broad support from a wide range of witnesses for re-establishing the NHSC, or a body like it. Some submitters also noted the need to better represent and progress housing policy matters at COAG, and argued for re-establishing a COAG ministerial council on housing and homelessness. These arguments are outlined below.

National Housing Supply Council (NHSC)

5.38 The NHSC was established in May 2008 to 'monitor housing demand, supply and affordability in Australia, and to highlight current and potential future gaps between housing supply and demand from would-be home-owners and renters'. The NHSC's role was to aggregate and assess data on housing supply and demand, and thereby strengthen the evidence base for decision making by all levels of government. It also provided advice and recommendations on options and strategies to improve housing supply and affordability. A key task of the NHSC was the preparation of an annual State of Supply Report, which examined housing supply over a 20-year horizon, with the intent of providing information that would help government and industry improve supply.⁴¹

5.39 The NHSC consisted of a chair and eleven members, with appointments made by the Minister for Housing in consultation with the Treasurer. Members had expertise in areas relating to the housing sector, and sector representation sought to encompass the housing, property and construction industry, planning and development, infrastructure provision and financing, social welfare and community housing, banking and finance, and housing research.⁴²

5.40 The NHSC was abolished on 8 November 2013, along with a number of other non-statutory bodies. The functions of these bodies, according to the government, were no longer needed and could be managed within existing departmental

40 Professor Jago Dodson, Professor of Urban Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 13.

41 National Housing Supply Council, *State of Supply Report* (2008), p. xii. The NHSC's terms of reference were amended in 2012, the most important change being that it was directed to examine the implications for housing supply of urban planning and infrastructure development processes, including transport and telecommunications services. For the updated terms of reference, see National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13* (2013), http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx, pp. 131–133.

42 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13* (2013), http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx, p. 133.

resources.⁴³ A statement from the Prime Minister also indicated that many of these non-statutory bodies:

...have outlived their original purpose or are not focused on the Government's policy priorities. As a result, their work is best carried out by the relevant government departments or agencies.

Ministers will continue to receive advice from a broad range of sources including industry and community stakeholders, relevant departments and from Ministerial Advisory Councils.⁴⁴

5.41 However, the ministerial council on housing and homelessness was abolished one month after the abolition of the NHSC, and the evidence received by the committee would suggest that the NHSC's functions have not been absorbed into Treasury. Indeed, Treasury acknowledged that with the NHSC disbanded, 'there is no vehicle through which [Treasury] would then have responsibility to assist the government' in relation to policy advice on housing supply.⁴⁵

5.42 Asked about the importance of the work that was being done by the NHSC (of which she was a member), Associate Professor Yates explained that it:

...coordinated information across all the states and territories. It tried to standardise the source of that information. It put it together in one spot. It was an independent source. The Housing Industry Association, for example, has tried to replicate that, and that is a fair enough thing, but there are vested interests, whereas the council was a representative body across a whole range of stakeholders—developers, planners, local government people, economists, finance people and housing policy people. So you had a spectrum of interests—a coordination of information; the bringing together of a wide range of stakeholders.⁴⁶

5.43 Professor Beer spoke highly of the work that was being done by the NHSC, and said that the academic community 'really relied on the solid data that they put out'. He also suggested that the housing industry itself needs a forecasting body to be able to assess likely demand.⁴⁷ Professor Pawson submitted that the abolition of the NHSC had damaged the Commonwealth's leadership capacity in housing policy, along with

43 Treasury, *National Housing Supply Council*, <http://www.treasury.gov.au/Policy-Topics/PeopleAndSociety/completed-programs-initiatives/NHSC>.

44 The Hon Tony Abbott MP, Prime Minister, 'Boosting Productivity and Delivering Effective, Efficient Government', 8 November 2013, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/2829445/upload_binary/2829445.pdf;fileType=application%2Fpdf#search=%22media/pressrel/2829445%22.

45 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 18.

46 Honorary Associate Professor Judith Yates, University of Sydney's Senior Visiting Fellow, *Proof Committee Hansard*, 10 November 2014, p. 39.

47 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 11.

the 'scope for evidence based policies'.⁴⁸ Similarly, Shelter SA stressed the need for a strong evidence base on which to make informed policy decisions, and argued that in this sense the NHSC was 'an absolutely vital organisation that cost practically nothing, if anything, to government'.⁴⁹

5.44 Junction and Women's Housing agreed that the work being done by the NHSC was very valuable, telling the committee that it had:

...found it to be a very useful source of information for starting to understand where the supply issues are and what the dynamics in the broader market are, at a macro level, and how that affects our local markets. This has a significant role for us in terms of where we put our resources and energy and where we see the opportunities to bring in private-sector investment.⁵⁰

5.45 The CFRC also submitted that the NHSC had been providing 'much needed specialist advice and information on critical housing supply issues to governments and the housing industry'. It noted that the 'the over-riding need for a regular and authoritative Australia-wide housing demand and supply analysis remains undiminished'.⁵¹ For its part, the UDIA suggested that prior to the existence of the NHSC:

...states kept various pieces of data in relation to housing, housing supply and the like, but it was all different and very difficult to compare. It was very much apples and oranges. The Housing Supply Council was able to pull together a methodology in consultation with the various states to ensure that we had a better and more consistent view of what was happening in relation to housing policy and housing supply around the country.⁵²

5.46 The HIA was somewhat more critical in its assessment of the NHSC. It told the committee that while the NHSC had 'started off on the correct foot' in looking at the housing supply chain, it:

...became a little bit waylaid and got involved in a lot more policy development work and seemed to lose a lot of its initial terms of reference. We therefore supported the Housing Supply Council being abolished but believed that it should be replaced by something that would do the task that it was initially set out for it to do—something along the lines of an

48 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

49 Dr Alice Clark, Executive Director, Shelter SA, *Proof Committee Hansard*, 28 July 2014, p. 41.

50 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, pp. 41–42.

51 City Futures Research Centre, UNSW, *Submission 152*, p. 7.

52 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 70; Mr Richard Lindsay, Chief Executive Officer, Urban Development Institute of Australia (National), *Proof Committee Hansard*, 30 July 2014, p. 70.

indicative planning council. It would be something where we would have a much better understanding of where our future housing was going to be, what the time lines for bringing those houses to market—whether or not they were detached houses, multi residential or high-rise apartments; having a much better understanding of where they would go and what the time lines for the delivery would be. That would allow the industry and also the various governments to better understand the best investment in infrastructure and other support systems that were necessary to bring those houses to market, and we could better marry the demand side with the supply side.⁵³

COAG ministerial council on housing and homelessness

5.47 Asked about the abolition of the COAG Select Council on Housing and Homelessness, MBA responded that there was a need for:

...some sort of high-level institutional mechanism whereby these sorts of difficult issues and public policies can be discussed. We would argue that housing should be one of the top agendas for any government, regardless of its political persuasion, because the complexity of the problems need fixing and therefore it should not operate in an institutional vacuum. A body like that, and perhaps a reinvigorated COAG process, is obviously something that we would ask for.⁵⁴

5.48 The CFRC also expressed concern that the ministerial council had been disbanded, noting the important role it had played in coordinating and driving 'essential cross jurisdiction reforms to housing and homelessness programs'.⁵⁵

5.49 At the same time, the committee heard evidence that the COAG system was not conducive to receiving potentially valuable input from non-governmental sources. For instance, Ms Palumbo argued that COAG might gain a broader view of housing issues if, instead of simply drawing on the advice of officials and ministerial advisers:

...there were a different advisory structure—I would say there are peak bodies that should be involved; there are industry bodies that should be involved. There should be a way of having a diverse voice, where ministers are not just hearing from their key advisers, they are actually hearing from the whole community. What tends to happen is that when there is a representative from, say, the community sector there is a view that that individual might be self-serving and they are only representing their agency views and there is not a voice. It is about broadly representing the whole group rather than an individual getting at a table and then pushing their agency's views ahead of broader views. There needs to be a way of having a

53 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 46.

54 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 39.

55 City Futures Research Centre, UNSW, *Submission 152*, p. 7.

much broader conversation so that there are shared views as opposed to that real separation.⁵⁶

5.50 Uniting Communities endorsed Ms Palumbo's comments, and added:

The problem is the COAG process is kept within governments talking to each other. In just about every one of these domains, but certainly in [housing policy], you have significant players with interests, not just self-interest, who can make quite significant contributions to the debates and the solutions. We do not engage those. Having separate advisory boards or councils to ministers and then having the COAG process operating in some other domain over here is not an effective way of developing good public-policy solutions. You need to marry them in some way.⁵⁷

The need for a national affordable housing plan

5.51 Given the complexity of housing policy and its inter-governmental dimensions, a large number of submitters made a case for developing and implementing a national plan for improving the supply of designated affordable housing or housing affordability more broadly (or both). For instance, arguing that the current institutional environment for housing policy was lacking in coherence and allowed for 'all sorts of unintended side-effects and dysfunction', housing researchers from Swinburne University wrote that Australia required 'a national urban and housing policy to set a clear direction as to what we want from our urban form and associated housing system.'⁵⁸

5.52 Ms Jacqueline Phillips from ACOSS told the committee that a national affordable housing strategy would recognise the complex policy levers across the various levels of government that influence housing affordability. She suggested that ideally a strategy would be developed through COAG or other intergovernmental discussions.⁵⁹

5.53 The UDIA noted that a national strategic plan on housing affordability was needed, in part because the interests of the Commonwealth and the states did not always coincide, leading to policy inconsistencies. Specifically, whereas the Commonwealth has some incentive to facilitate population growth because of the benefits to tax revenue, the states have an incentive to resist growth because they bear the brunt of the infrastructure and service costs. It recommended that the Commonwealth and states:

56 Ms Maria Palumbo, Chair, Community Housing Council of South Australia, *Proof Committee Hansard*, 28 July 2014, p. 42.

57 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 42.

58 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 1.

59 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, pp. 27–28.

...collaborate to establish a national strategic plan, providing funding for new urban infrastructure, and requiring cities to maintain a rolling supply of development-ready land to meet demand driven by population growth.⁶⁰

5.54 The ABA also argued that a national housing affordability strategy was needed to address the complex supply and demand factors shaping the market:

A national plan should contain a holistic approach based on a better understanding of the motivations for home ownership by individuals, families and communities, the incentives and disincentives for home ownership during changing market and economic conditions, the barriers to home ownership across different cohorts and geographical areas, the lessons learned from policies, interventions and assistance programs designed to encourage home ownership, and the potential responses which could better integrate public and private sector initiatives, and in partnership.⁶¹

5.55 MBA called for all levels of government to work together to develop what it termed a 'National Housing Affordability Agenda'. Such an agenda, as envisaged by MBA, would include targeted reforms and agreed outcomes directed to improving the supply-side efficiency of the Australian housing market, the area MBA suggested was most in need of attention if Australia were to improve housing affordability.⁶²

5.56 MBA also recommended that the Commonwealth provide 'competitive, efficiency dividend' payments to states, territories and local governments for delivering certain housing affordability policy outcomes. Reflecting MBA's emphasis on the need for a 'supply-side first' response to declining housing affordability, the outcomes MBA suggested might be tied to such payments related to improving land release, streamlined and more efficient planning and approval processes, and reforms to infrastructure (or 'developer') charges.⁶³

5.57 Over the course of the inquiry, the committee heard from a number of local governments about the steps they had taken and the strategies they were implementing on housing (including strategies specific to the supply of affordable housing). For instance, Brimbank City Council provided the committee with information on its ten-year housing strategy, *Home and housed*. Like other local governments, Brimbank City Council noted that while it was addressing housing affordability through local strategies, ultimately a national level strategy was needed:

Liveable homes, neighbourhoods and cities can only be the product of purposeful, housing and planning policies coordinated across all three levels of government to create the conditions for affordable and appropriate housing. A long term, national housing plan that supports and gives

60 Urban Development Institute of Australia, *Submission 190*, pp. 5, 9–10.

61 Australian Bankers' Association, *Submission 197*, p. 1.

62 Master Builders Australia, *Submission 48*, p. 6.

63 Master Builders Australia, *Submission 48*, pp. 12–13.

direction to housing development, particularly in Australia's capital cities, is required to support the creation of multi-level partnerships to this end.⁶⁴

5.58 NT Shelter argued that a 'genuine national housing policy' would help policymakers and service providers overcome the confusion and fragmentation that often confounded housing policy.⁶⁵ Housing Tasmania, meanwhile, suggested that a national housing policy would encourage intergovernmental cooperation to address housing issues within a 'whole-of-system housing policy framework'. This would, in turn, contribute to 'better housing outcomes for all Australians'.⁶⁶ The LGAQ also argued for a national housing policy on the grounds that the 'complex issues concerning the provision of affordable housing, together with the multiple components of "affordable housing" mean that a fully integrated approach is needed to deliver successful solutions'.⁶⁷

5.59 The Housing and Local Government Network, a grouping of local governments in Victoria 'working to promote and support the increase supply of affordable housing', was critical of existing policy settings. It argued that current intergovernmental funding arrangements, such as the NAHA, left local councils in the position of second guessing the direction of Commonwealth and state housing policies. It called for:

...a significant overhaul of the current narrow, inflexible and bureaucratic [NAHA] towards a mutually agreed and integrated intergovernmental governance instrument based on an authentic spirit of good will and with local government as an equal partner.⁶⁸

5.60 In its submission, the CFRC set out what it considered the attributes of successful international policy responses to housing affordability issues similar to those facing Australia. The committee believes the attributes outlined by CFRC are well considered, and as they might help inform the development of a national housing affordability plan, considers them worth reproducing in full here. They are:

- A view of housing as being an integral part of economic, social and environmental policy
- Sufficient housing expertise both within and connected to government, which is committed to building policies and relevant institutions to deliver desired housing outcomes
- A long term commitment to achieving desired housing outcomes, in which government plays an assertive and important role in a constructive partnership with all relevant public and private agencies

64 Brimbank City Council, *Submission 193*, p. 2.

65 NT Shelter, *Submission 118*, p. 13.

66 Housing Tasmania, *Submission 217*, p. 17.

67 Local Government Association of Queensland, *Submission 196*, p. 5.

68 City of Darebin, *Submission 123*, p. 3.

- Progressive development of a modern institutional framework for delivering government desired housing outcomes using a well-designed mix of market and non-market mechanisms
- A climate and practice where diversity, flexibility and local innovation can flourish without leading to the abandonment of appropriate national policy responsibilities and the efficient allocation of subsidies according to need
- Comprehensive and up-to-date market analysis and policy oriented evaluation strategies that can help to ensure the efforts of government are effective, responsive and appropriate
- The adoption of balanced multi-tenure policies with a common focus on increasing affordable and sustainable housing options, improving tenure choice and pathways and supporting socially mixed communities.⁶⁹

5.61 JELD-WEN, departing somewhat from the general consensus that a national strategy was needed, cautioned that any attempt by the Commonwealth to impose a national plan for housing supply might prove counterproductive:

The temptation to pursue a centralised, prescriptive national planning strategy should be avoided. Instead, the Commonwealth should aim to work co-operatively with State, Territory and Local Governments but with clear lines of responsibility, supported by a new structure of financial rewards and incentives tied to performance milestones, similar in approach to the previous National Competition Payments. This approach offers the prospect of achieving better and more durable outcomes.⁷⁰

Committee view

5.62 Evidence received by this committee underlined the fact that many of the key policy levers that shape the Australian housing market and housing affordability rest with the Commonwealth. In particular, demand-side levers such as taxation policy generally reside with the Commonwealth. Although many supply-side policy levers fall within the remit of the states and territories, the committee remains firmly of the view that the Commonwealth is best placed to provide the leadership to coordinate and guide the cross-jurisdictional reform necessary to improve the efficiency of housing supply across Australia. As will be discussed further in subsequent chapters, the committee also believes the Commonwealth has a central role to play in driving the development of new affordable housing stock, whether through programs such as NRAS or other mechanisms.

5.63 The committee welcomes the review of housing and homelessness policy responsibilities being undertaken as part of the Federation White Paper process, and notes that as part of the process the government has released an issues paper, *Roles*

69 City Futures Research Centre, UNSW, *Submission 152*, p. 10.

70 JELD-WEN Australia, *Submission 54*, p. 1.

and Responsibilities in Housing and Homelessness (December 2014). The committee anticipates the release of the Federation White Paper later this year will prompt renewed public discussion about how optimal housing and homelessness outcomes can be achieved within our federal system. It is the committee's hope that the White Paper will recognise the important role the Commonwealth has to play in this policy space, and the imperative for intergovernmental coordination and cooperation. The committee also hopes that the White Paper will serve as a foundation for a renewed bipartisan commitment at the Commonwealth level to tackle the problem of housing affordability and the shortage of affordable housing in Australia.

5.64 The need for and potential value of a long-term, national affordable housing plan was made clear throughout the inquiry. The committee believes a national affordable housing plan should be developed through an appropriate intergovernmental forum, with substantive input from the community housing sector, stakeholders in the housing industry and third sector representatives. This plan would provide the direction and certainty needed to ensure housing affordability improves and the supply of affordable housing is better matched to housing need. A national affordable housing plan could potentially sit under the umbrella of the NAHA. However, the committee believes the Commonwealth and states and territories, through COAG, are best placed to determine if this would be help or hinder the implementation of such a plan.

Recommendation 2

5.65 The committee recommends that, as a matter of priority, the Commonwealth and states and territories agree to establish a ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system.

Recommendation 3

5.66 The committee recommends the establishment of a new body, ideally a statutory body, similar in function to the former National Housing Supply Council, but also with responsibility for monitoring performance against a new affordable housing plan (see recommendation 4) and measuring housing need according to key demographic trends, socio-economic and cultural factors.

Recommendation 4

5.67 The committee recommends that the Commonwealth and states and territories collaborate in the development of a long term, national affordable housing plan, ideally to be developed through a new ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system (see recommendation 2). While the shape of the plan and its relationship to the National Affordable Housing Agreement would be determined through the development process, the committee recommends that the plan:

- (a) include performance indicators, which should be monitored and reported on by the body recommended at recommendation 3; and**
- (b) include base funding, possibly drawn from the National Affordable Housing Agreement funding envelope, with consideration also given to including Commonwealth reward payments linked to achievement by individual jurisdictions against the performance indicators.**

Chapter 6

The impact of state and local taxes, fees and charges on housing affordability

6.1 According to many witnesses, the taxes and fees that apply to housing transactions and construction add significantly to housing costs. While Commonwealth taxation settings are often regarded as adding to housing demand (and, in a market with supply constraints, housing costs), state and local taxes were identified by witnesses as adding directly to the supply-side costs of housing.

6.2 This chapter considers the effect of state and local taxes on housing affordability, including state stamp duties on conveyances (referred to henceforth simply as 'stamp duties'). The overwhelming weight of evidence received by this committee suggested stamp duties are a highly inefficient and inequitable means of taxing land and improvements, and also undermine home purchase affordability. Flawed as stamp duties might be as a form of taxation, states and territories remain heavily reliant on the revenue they provide. Acknowledging this, some witnesses noted that any removal or reform of stamp duties would likely require a shift to a different revenue source. Attention in this respect generally settled on a possible broadening of land taxation, including its extension to owner-occupied property. The committee also heard arguments in support of broad-based land taxation on the grounds that its application would help discourage excessive speculation and overinvestment by investors and owner-occupiers.

6.3 This chapter also considers whether infrastructure fees and charges levied by state and local governments, most commonly in relation to greenfield housing developments, undermine housing affordability. In doing so, this chapter also outlines and addresses concerns expressed by some witnesses regarding the apparent lack of transparency and equity in the application of infrastructure fees and charges.

The burden of state and local taxes, fees and charges on new housing stock

6.4 Some submitters highlighted the costs that taxes and fees added to new housing construction, and the extent to which these costs were ultimately reflected in higher house prices. The taxes and fees referred to in this respect included some Commonwealth taxes, notably the Goods and Services Tax (GST). However, on the whole witnesses focused on state and local taxes, fees and charges.

6.5 Although not referring exclusively to state and local taxes, the HIA told the committee that in 'absolute terms, new housing is the second most heavily taxed sector

in the Australian economy', out of a total 111 sectors. The HIA argued that any national tax reform agenda should consider how to reduce this tax burden.¹

6.6 Similarly, the UDIA emphasised the relatively high tax burden on new housing and its impact on housing affordability:

A major contributor to the high cost of housing in Australia, and subsequently affordability pressures in recent years is the escalating level of taxes and charges on new homes. The development and construction industry is one of the most heavily taxed sectors in the Australian economy, with various government taxes and charges accounting for up to 44% of the price of a new house in some cities. Many of these taxes are economically inefficient and inequitable, further discouraging investment, contributing to Australia's housing shortage, and worsening housing affordability.²

6.7 The UDIA continued that while a large proportion of this tax was levied by state and local governments:

...their replacement with more equitable and efficient taxes will only be achieved with cooperation and leadership from the Commonwealth, due to the vertical fiscal imbalance experienced between Australian Governments.³

6.8 JELD-WEN provided more detail on the cost taxes and fees added to new housing. Citing research by the Centre for International Economics, JELD-WEN indicated that:

More than 35 per cent or in excess of \$100,000 of the cost of a new house and land package in the eastern state capital cities, consists of the GST, development charges, stamp duty, land tax, building fees and charges; in many cases, these indirect taxes and charges cascade throughout the acquisition and development pipeline to final sale.⁴

Stamp duty

6.9 While each state and territory levies stamp duty on the transfer of property on a progressive rate scale, rates and thresholds vary from jurisdiction to jurisdiction. As the final report of the Henry Review noted, the average rate of stamp duty across the states rose from 2.45 per cent in 1993 to 3.25 per cent in 2005, 'largely due to the non-indexation of the scales in the face of property appreciation'. The highest rate of stamp duty, the Henry Review further noted, was 7 per cent for residential properties valued above \$3 million in New South Wales.⁵ Stamp duty revenues are volatile, because

1 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 43; Housing Industry Association, *Submission 178*, pp. 6–7.

2 Urban Development Institute of Australia, *Submission 190*, pp. 11–12.

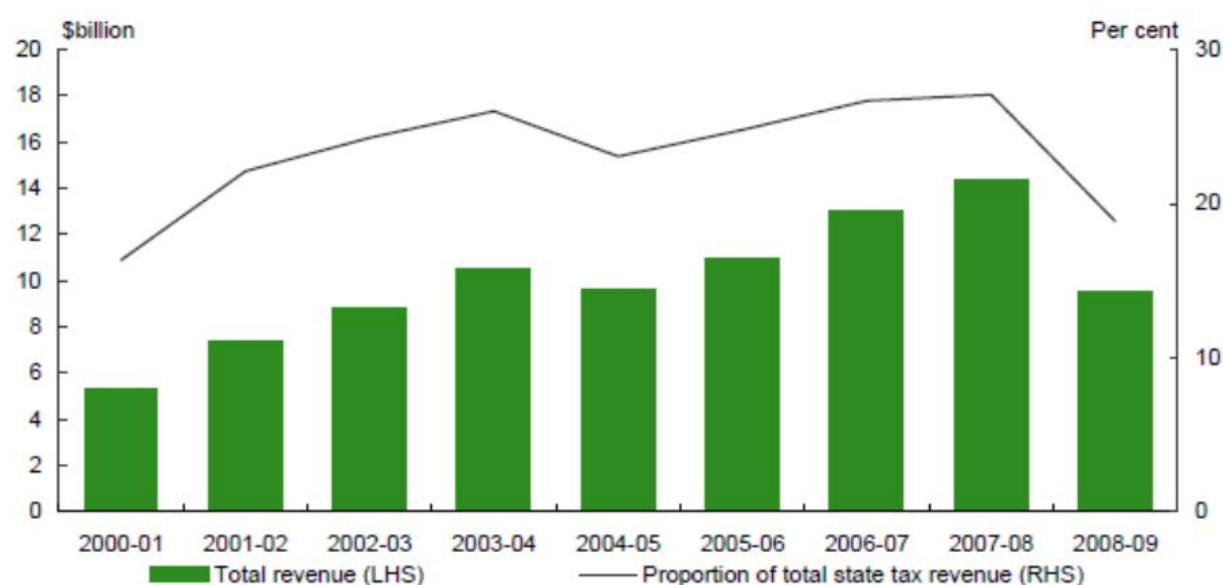
3 Urban Development Institute of Australia, *Submission 190*, pp. 11–12.

4 JELD-WEN Australia, *Submission 54*, p. 7.

5 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 251–52.

they are determined by the value and volume of properties being transferred. While volatile, these revenues consistently make up a very substantial proportion of the revenue raised by states and territories. For instance, in 2007–08, stamp duties raised \$14.4 billion for the states and territories, more than 25 per cent of total state tax revenue that year (see Figure 6.1 below). In some states, stamp duties have at times been the single largest source of revenue.⁶

Figure 6.1: Revenue from conveyance duty



Source: Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 254.

6.10 While acknowledging the reliance of states and territories on stamp duty revenue, many witnesses were critical of the effect stamp duties had on housing affordability and economic productivity. The REIA, for example, argued that stamp duties:

...represent additional costs to property transactions, thereby discouraging turnover of housing and distorting choices between renting and buying, and between moving house and renovating. Individuals who move more frequently would pay more taxes than those who move less. Others, who would have to buy or sell if they changed jobs, could be deterred by these costs thus reducing labour mobility. These distortions lead to...sub optimal

6 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 253–54.

outcomes, reduce investment in the property market and impede labour mobility.⁷

6.11 The Residential Development Council (part of the Property Council of Australia) also argued for the abolition of stamp duties. It noted the various inefficiencies and distortions created by stamp duties, including distorting the decisions people made about where to live.⁸

6.12 Like the REIA, a number of submissions highlighted not only the costs stamp duty imposed on the purchase of housing, but also the negative impact on labour mobility and productivity more broadly. For instance, in her submission, Associate Professor Yates suggested that stamp duty 'can discourage turnover, influence housing decisions and inhibit mobility'.⁹ Similarly, AHURI referred to the 'disincentive to residential mobility for existing home owners wishing to sell and purchase another property especially in higher valued areas'.¹⁰ The UDIA explained that stamp duties:

...distort the efficient allocation of housing and land by penalising owners for moving to properties that best suit their needs. This has the effect of damaging economic productivity by constraining labour mobility, as the Productivity Commission recently reaffirmed in its study on Geographic Labour Mobility.¹¹

6.13 Mr John Hawkins also highlighted how stamp duties can distort decision making in a way that negatively impacts on housing affordability:

The relevance for housing affordability is that by discouraging people from moving houses, it tends to lead to people remaining in houses that do not suit them. For example, an older couple whose children have left home may prefer to live in a smaller house which a growing family would prefer to vacate. But the stamp duty could deter both of them from moving. Stamp duties may also encourage first home buyers to buy a larger house than they need at the time to avoid paying further duty should they require a larger home as their family grows.¹²

6.14 HomeStart Finance pointed to the difficulties stamp duty created for low to moderate income first home buyers. Stamp duty, it argued, is regressive in the sense that:

7 Real Estate Institute of Australia, *Submission 88*, p. 14. Also see Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

8 Residential Development Council, Property Council of Australia, *Submission 212*, p. 13.

9 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6.

10 Australian Housing and Urban Research Institute, *Submission 93*, p. 7.

11 Urban Development Institute of Australia, *Submission 190*, p. 12.

12 Mr John Hawkins, *Submission 105*, p. 3.

...the most vulnerable customers—low-moderate income first home buyers—are least able to afford it, or afford to save for it. The imposition of this tax at the time of purchase creates a significant disincentive both for first home buyers and overall property market transactions.¹³

6.15 The HIA drew the committee's attention to the fact that stamp duty is often applied multiple times along the process of a new home being brought to market: at the point of sale of land to developer, the sale of land from the developer to the builder, and the final sale of a house and land package to a purchaser. The HIA noted:

This transaction and taxation process which can apply to the new home building sector is essentially treating new housing as 'trading stock' and is unique to this sector. In other industries, for example the used car industry, the 'commodity' is regarded as holding stock and does not attract stamp duty until the sale to the ultimate consumer. For the new home building sector, the taxes paid whilst approvals are being sought during the development phase can be significant and should be addressed by either a cut in rates or an exemption.¹⁴

State government land taxation

6.16 Witnesses also provided evidence suggesting that more broadly applied land taxes might help improve housing affordability, or at least provide a more efficient form of taxing housing than stamp duties.

6.17 In Australia, land value taxes are levied at the state and territory level. As the Henry Review explained, there are currently three taxes on land in Australia:

The first is property conveyance duties (stamp duties) levied on the transfer of land and buildings. In 2007–08 they raised \$14.4 billion for State governments. A significant proportion of this revenue is raised on the transfer of building values, rather than of land. The second is local government rates levied on land (and also on building values by some councils). They raised \$10.2 billion in 2007–08. Finally, State government land tax (mostly levied on unimproved land values) raised around \$4.3 billion in 2007–08.¹⁵

6.18 For the purposes of this chapter, 'land tax' is taken to refer to state government land tax, unless otherwise specified.

6.19 All jurisdictions except the Northern Territory levy land tax, and depending on the jurisdiction the calculation is based on either the 'unimproved' or 'site' value of the land. While the rate of land tax varies from state to state, it is generally only levied on commercial and investor-owned residential land. Owner-occupied land is exempt from land tax in all jurisdictions. As the Henry Review noted, the exemption of

13 HomeStart Finance, *Submission 72*, p. 16.

14 Housing Industry Association, *Submission 178*, p. 7.

15 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 251.

owner-occupied housing 'removes around 60 per cent of land by value from the tax base'. The Henry Review concluded that the exemption:

...is likely to have particular influence on land for residential property. The exemption of owner-occupiers rules out around 75 per cent of residential land and, for the remainder, high thresholds in some States effectively exempt many small-scale investors. As land can shift in and out of the tax base depending on who owns it, it is unlikely that the tax will be fully reflected in lower land prices for residential property. The portion of tax that is not reflected in lower land prices is borne by investors through lower returns, or by their renters through higher rent. This means the tax, to some extent, has been passed forward to workers and the owners of capital. Further, it is likely that, in the long run, much of the burden of the tax is shifted to renters, as rents adjust to ensure that investors achieve an adequate return. This may be inequitable, as renters generally have low income and wealth.¹⁶

6.20 Other submitters, including the Tenants' Union of NSW, suggested that the exemption of owner-occupied housing from land tax encouraged overinvestment in owner-occupied housing.¹⁷ Professor Frank Stilwell argued that a uniform land tax applied to the value of all land would help 'drive out the speculative element of the market', thereby bringing land price inflation under control:

Indeed, if the government captured the economic surplus that is currently privately appropriated by landowners, it would only make sense for people to hold land for its use value—whether for housing, agricultural or other commercial purposes. There could then be no significant speculative gain, and land ownership would not be a vehicle for capital accumulation. Land price inflation would then be relatively stabilized.

The current forms of land tax implemented by State governments do not achieve this outcome because the land tax rates are low and the exemptions are very extensive. A more comprehensive, nationwide land tax system would need to replace or supplement these State taxes.¹⁸

6.21 Mr Cameron Murray also argued in favour of land tax reform, suggesting:

Increasing taxes on land in proportion to its value at its highest and best use provides enormous incentives to construct new housing even if it reduces rents and prices.¹⁹

6.22 For his part, Professor Dodson suggested that a more sophisticated land tax system would be able to capture the increase in land values, and redistribute it for 'infrastructure or affordable housing purposes'.²⁰

16 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 260–61.

17 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 7; Tenants' Union of NSW, *Submission 120*, p. 13.

18 Professor Frank Stilwell, *Submission 25*, p. 4.

19 Mr Cameron Murray, *Submission 17*, pp. 6–7.

6.23 AHURI also noted that, in varying measures depending on the jurisdiction, land tax is only levied on the value of the land of investment properties above a certain threshold. For example, in Victoria land tax only applies on the excess value of \$250,000 of rental properties held by an investor. This arrangement, it suggested:

...is potentially responsible for the lack of large property investors in Australia. Residential property investment is characterised by a dominance of 'mum and dad' investors who mainly own one investment property (Berry 2000). In 2006–07, 1,542,712 individuals declared an interest in at least one rental property; 77 per cent had an interest in only one rental property and 91 per cent in one or two properties...²¹

Possible stamp duty and land tax reforms

6.24 The Henry Review recommended the removal of stamp duties and, in recognition of the revenue needs of the states:

...a switch to more efficient taxes, such as those levied on broad consumption or land bases. Increasing land tax at the same time as reducing stamp duty has the additional benefit of some offsetting impacts on asset prices.²²

6.25 The Henry Review further recommended that given the efficiency benefits of a broad land tax, 'it should be levied on as broad a base as possible.'²³

6.26 Both the UDIA and the REIA recommended replacing stamp duty with 'more efficient' taxes, such as a broader GST.²⁴ While arguing in favour of abolishing stamp duty, the REIA took issue with the Henry Review's recommended replacement of stamp duty with a broad-based land tax:

The Henry Review recommended that a land tax was an efficient means of replacing the revenue forgone from abolishing state stamp duties. In reality this is not the case. In practice it is likely that a significant proportion of the economic incidence of the tax is passed forward to consumers or backwards to investors adding distortions and reducing the efficiency of the tax and detracting from the claimed simplicity, equity and sustainability of the tax.²⁵

20 Professor Jago Dodson, Professor of Urban Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 13.

21 Australian Housing and Urban Research Institute, *Submission 93*, p. 8.

22 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 263.

23 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 263.

24 Urban Development Institute of Australia, *Submission 190*, p. 5; Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

25 Real Estate Institute of Australia, *Submission 88*, p. 14.

6.27 While acknowledging that stamp duty is a major source of revenue for state governments, the HIA maintained that it is nonetheless a 'highly inefficient tax'. It suggested the:

...implementation of reforms which remove inefficient taxes that specifically affect housing, such as stamp duty on conveyancing, and replace the government revenue with more efficient taxes, improve housing affordability. Furthermore, such reforms are also likely to have broader economic benefits that deliver higher living standards to Australian households.

A national tax reform agenda should develop a strategy and timeframe to replace stamp duty with more efficient taxes such as a broader based and/or higher rate of GST or a well-designed land tax. A Federally-led tax reform strategy is the only option for ensuring such change occurs.²⁶

6.28 AHURI argued that replacing stamp duties with reformed land taxes would improve the efficiency of the housing market and housing affordability generally. Such reforms would:

...speed up development in areas that are more expensive and reduce land values in the inner cities making purchases in these areas cheaper...²⁷

6.29 Mr Eslake also called for a shift from stamp duties to broad-based land taxation, with a view to encouraging the more efficient use of land:

That would include replacing stamp duty on land transfers (which are 'bad' taxes on many grounds, including that they discourage people from changing their dwellings as their needs change) with more broadly-based land taxes (ie, no exemptions for owner-occupiers, but with appropriate transitional provisions) and possibly higher rates for undeveloped vacant land in established urban areas.²⁸

6.30 AHL Investments Pty Ltd ('Aussie') recommended a reduction in stamp duty over time, potentially shifting to a broad property tax to replace the revenue lost by state and territory governments. Aussie suggested, however, that this transition would:

...need to be progressively implemented to minimise the impact on existing property owners. This would require special consideration to be given to houses of lower value and to those that have recently paid stamp duty under a different rate regime.²⁹

6.31 Prosper Australia recommended abolishing stamp duties and implementing a broad-based land tax that should be levied at a federal level and then fully rebated to

26 Housing Industry Association, *Submission 178*, p. 7.

27 Australian Housing and Urban Research Institute, *Submission 93*, pp. 20–21.

28 Mr Saul Eslake, *Submission 2*, p. 15.

29 AHL Investment Pty Ltd (Aussie), *Submission 186*, p. 4.

the states.³⁰ Appearing before the committee, Prosper Australia was asked how a land tax would apply in situations where an income-poor person owned a family home on high-value land. The example of a pensioner sitting on \$1 million block of land but not earning any income from it was put to Prosper Australia, and whether a land tax would price that pensioner out of her home. Mr David Collyer, Prosper Australia's Policy Director, replied:

Not necessarily. We, collectively, could remove the burden from her either by deferring it or by increasing pensions if that proved to be an issue. You cannot do these things in isolation. The idea is not to impose a new tax on everybody and not change other taxes. The purpose of a land tax is to give you the opportunity to remove other taxes that we know are very bad for us. We are not trying to increase the government tax take; we are trying to rebalance or reposition taxation.³¹

The phasing out of stamp duty in the ACT

6.32 As noted by Mr Hawkins, while state and territory governments have generally not embraced stamp duty or land tax reform in response to the Henry Review, the ACT Government has moved to replace stamp duties over time with 'more efficient and fairer charges on land values'.³² Following the Henry Review, the ACT Government in fact conducted its own taxation review, with the final report released in May 2012. Like the Henry Review, the ACT Taxation Review was highly critical of stamp duty:

This tax is fundamentally unfair, in that it raises around a quarter of the total taxation revenue of the Territory from around 9 per cent of the people whose circumstances may impose the necessity to move to different accommodation. For this tax, around 38 cents of the economic value is lost for every dollar raised.³³

6.33 The ACT Taxation Review recommended that stamp duty be abolished, with the revenue replaced by a broad-based land tax. The Review further recommended the application of a transition period of 10 to 20 years, 'to ameliorate the impact of the change on households'.³⁴ Subsequent to the Review, the ACT Government announced that it would abolish stamp duty over a 20 year period starting from mid-2012, with

30 Mr David Collyer, Policy Director, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, pp. 2–4.

31 Mr David Collyer, Policy Director, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, p. 5.

32 Mr John Hawkins, *Submission 105*, p. 3.

33 ACT Government, *ACT Taxation Review* (May 2012), p. 3.

34 ACT Government, *ACT Taxation Review* (May 2012), pp. 7–8.

the revenue foregone to be replaced by an increased land tax (in the form of general rates, which the ACT Government, unlike other states and territories, levies itself).³⁵

Committee view

6.34 The committee believes stamp duties are an inefficient, productivity-damaging form of taxation, which ultimately increase barriers to home ownership. As has been established across multiple inquiries and reviews, including the Henry Review, stamp duties discourage land from being allocated to its most efficient use, distort housing choices and undermine housing affordability. The committee also notes evidence that stamp duties reduce peoples' choice and flexibility in relation to their housing situation—including to downsize as circumstances change, move closer to work, and so on. This, in turn, damages labour mobility and hurts economic productivity more generally.

6.35 Currently, stamp duties constitute a significant source of revenue for the states and territories, and it would be unrealistic and even irresponsible to advocate their abolition without acknowledging that a replacement source of revenue would be required. The committee considers the Henry Review recommendations a good foundation for discussion on the need to move from stamp duties to broader, more efficient forms of taxation. As part of this discussion, the committee believes that states and territories should consider broadening the base of existing land taxation.

6.36 The committee further notes that such issues will likely be addressed in the forthcoming Tax White Paper. On the assumption that it is likely the White Paper will also underline the inefficiencies associated with stamp duties, the committee acknowledges that the White Paper's authors may be better positioned to recommend reform directions. With this caveat in mind, the committee notes that it has heard no compelling arguments for maintaining stamp duties in their current form. On the basis of evidence received, the committee also believes that the phasing out of stamp duties should probably occur in tandem with land tax reforms so that the impact to state revenue is neutralised.

6.37 Beyond the political challenge of any transition from stamp duties to broad-based land taxation, the committee acknowledges that such changes would likely involve significant equity issues, not least for 'asset rich, income poor' households and retirees. This in itself is no reason to eschew reform in this area. The ACT Government's recent stamp duty reforms may provide a template—or at least a starting point—that other governments might consider in pursuing stamp duty reform. Moreover, while issues of equity are not insignificant, they are by no means insurmountable. Mechanisms for deferring land tax liabilities, or exemptions for owner-occupiers who would be unfairly affected by a broadening of the tax, are

35 John A. McLaren, 'The Australian Capital Territory has adopted measures to abolish stamp duty and impose a land tax on all real property: will this approach be adopted by other states in Australia?' *Journal of the Australasian Tax Teachers Association* 8, No. 1 (2013), pp. 101-116.

available to governments. Indeed, liquidity relief provisions that allow for the deferral of land value tax liabilities are already sometimes used in relation to local government rates.

6.38 Meaningful reform is difficult, but it is no less important for being so. The committee believes that if the will exists, it will be possible to phase out stamp duties in a way that is revenue neutral, equitable and has a positive impact on housing affordability.

6.39 While reform in this area is in the final analysis a matter for the states and territories, the committee believes the Commonwealth needs to engage with (and, as appropriate, provide leadership to) the states and territories in a coordinated reform process. This engagement would be based on a recognition that the implementation of such reforms should ideally take place as part of a broader process of taxation reform, possibly in response to the Tax White Paper.

Recommendation 5

6.40 The committee recommends that state and territory governments phase out conveyancing stamp duties, and that as per the recommendations of the Henry Review, this be achieved through a transition to more efficient taxes, potentially including land taxation levied on a broader base than is currently the case.

Infrastructure charges on new housing developments

6.41 For new housing developments, the costs of supplying infrastructure are substantial, and often add significantly to the price paid by the homebuyer. The question of who should bear these costs, and how and when, was raised by a number of witnesses. For many, current infrastructure charging regimes, as administered by state and local governments, appeared inequitable and inefficient.

6.42 Infrastructure charges, as defined in the final Housing Supply and Affordability Reform (HSAR) report produced by the intergovernmental HSAR Working Party, are:

...fees levied on developers (or purchasers in some instances) by local government as well some state governments to fund basic (or nexus) infrastructure (such as local roads and water mains) necessary for land development. In some instances, infrastructure charges are also levied for major infrastructure (arterial roads and pumping stations) and social infrastructure (parks and libraries). Local councils are generally empowered through planning and development legislation to collect contributions from developers for infrastructure.

There are two main types of infrastructure: 'social' and 'economic'. Economic infrastructure can be further categorised as 'basic' or 'major/trunk' infrastructure. Who pays for the infrastructure, and how, should be

determined by the type of infrastructure and whether the costs can be accurately apportioned to those who benefit from the infrastructure.³⁶

6.43 In its submission, AHURI explained how developers were required to cover infrastructure costs (directly or indirectly), and how in turn these costs added to the overall costs of new housing:

Developers may be required to pay significant levies and contributions to councils either for basic infrastructure (such as roads, water, sewerage, gas and electricity connections), which may be constructed by the developer and handed over to the relevant authority, or for costs incurred by the local government in providing new infrastructure, or by requiring developers to contribute land for public open space or facilities.

Developer infrastructure contributions represent the largest quantifiable planning related cost in Australia, exceeding \$100 000 per lot in designated metropolitan growth areas of NSW and around \$45 000 per lot in parts of Queensland (Gurran et al. 2009). These costs have increased markedly in a number of capital cities—in Sydney they have increased from around 3.5 per cent of the cost of a house price in the mid-1980s to 16.9 per cent in 2007 (Gurran et al. 2009).³⁷

6.44 In their joint submission, Mr Borrowman, Associate Professor Frost and Dr Kazakevitch also pointed to research that quantified the costs associated with the shift towards user-paid infrastructure funding approaches in new housing developments. This research showed the cost burden was particularly pronounced in Sydney:

Hsieh, Norman, and Orsmond (2012) estimate that in 2010 government charges (excluding GST) levied on developers amounted to around \$60,000 per greenfield dwelling in Sydney, and between \$20-30,000 per greenfield dwelling in other cities.³⁸

6.45 The UDIA told the committee that the current means of funding infrastructure placed the cost burden on the new homebuyer up-front, when in fact that infrastructure had a long-lasting benefit to the community as a whole. The issue, it argued, was one of equity, balance and transparency.³⁹ Similarly, Aussie argued that under current infrastructure funding regimes, the initial purchasers were in effect required to fund

36 COAG Housing Supply and Affordability Reform Working Party, final report, *Housing Supply and Affordability Reform* (July 2012), p. 14.

37 Australian Housing and Urban Research Institute, *Submission 93*, p. 7.

38 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, p. 7.

39 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 67.

the benefits of future residents.⁴⁰ Dr Lawson and Professor Berry also expressed concern regarding:

...the high development costs of new housing on a constrained urban fringe, where revenue strapped local governments lack the capacity to develop infrastructure in advance. Upfront development fees directly impact 'first generation' purchasers, rather than being shared across a wider spatial area and longer time frame.⁴¹

6.46 In its submission, the HIA provided a detailed argument against existing arrangements for funding social and community infrastructure through what it regarded as a 'complex array of levies charged throughout the residential development process'. In doing so, the HIA drew a distinction between 'development-specific infrastructure items' within the boundaries of a development, such as local roads, drainage, sewerage, power supplies and so on—which it agreed should be provided by the developer as part of the cost of development—and community and regional infrastructure which is 'ancillary to the direct provision of housing for a larger population and provides a benefit to the broader community'. This latter category, the HIA argued, should not be funded by developer contributions:

The excessive costs levied from the developer are passed on to new homebuyers who in effect partially or wholly fund infrastructure items from which the whole community derives benefit. The cost of community infrastructure should be met by general revenue rather than an inequitable tax levied on new homebuyers.

Removal of the excessive infrastructure charges incurred during the production of new homes will lower the final purchase price to consumers, thereby improving the relative cost differential between new and established housing and increasing demand for new homes. The additional supply of housing would assist to restore the housing supply imbalance.⁴²

6.47 The UDIA argued that developer contributions should be 'charged proportionately to the benefit received by the beneficiary of the infrastructure, and should be transparent in their calculation and application'. It suggested that currently this was often not the case, with excessive infrastructure charges undermining housing affordability:

Developer contributions are frequently opaque and unjustified in their application, and there may be no clear connection between the cost of the infrastructure provided and the contribution, to the extent that the contribution may be well in excess of the cost of the infrastructure it is supposed to pay for. Additionally in many cases developer contributions are used to pay for infrastructure that benefits the wider community (for

40 AHL Investments Pty Ltd, *Submission 186*, p. 4.

41 Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University, *Submission 24*, p. 7.

42 Housing Industry Association, *Submission 178*, pp. 7–8.

example trunk roads and utilities infrastructure upgrades). In this case, developers and ultimately new home buyers are being forced to subsidise the rest of the community.⁴³

6.48 The UDIA argued that a further problem with current approaches to infrastructure funding was that sometimes there was an incentive for local governments to:

...set unnecessarily high engineering and construction standards in order to minimise their ongoing maintenance and replacement costs. Where these reduced costs aren't reflected in lower council rates, new home buyers effectively end up paying for their infrastructure twice, once through a higher up front house price, and again through recurring rates.⁴⁴

6.49 According to Mr Eslake, state and local governments' policies for charging for the provision of suburban infrastructure were a key reason for the failure of the housing stock to keep pace with population growth in recent years. These policies, Mr Eslake suggested, 'have made it increasingly difficult for the private sector to supply new housing, especially at the more affordable end of the spectrum'. In particular, onerous requirements on developers for the provision of infrastructure and services in new housing estates, and the shift from a debt-financed to up-front model of funding this infrastructure, had priced home buyers out of developments that would otherwise be affordable:

While this is consistent with a 'user pays' philosophy, and appeases the growing voter aversion to public debt, it has meant (especially in New South Wales, where developer charges have risen to much higher levels than in other States) that developers find it increasingly difficult to produce house-and-land packages at prices which are affordable for first-time buyers and still make a profit, so they have reacted by building a smaller number of more expensive houses targeted at the trade-up market.⁴⁵

6.50 JELD-WEN argued that the high fees and charges on new land purchases, many of which had been imposed in the years since 2000, had:

...distorted home buyer preferences away from job-generating new housing to established housing. In the mid-1990s, more than a quarter of owner-occupiers opted for a new dwelling; by the late 2000s, the share of purchases for new housing had almost halved.⁴⁶

Proposals for new approaches to infrastructure funding

6.51 Professor Beer explained that in New South Wales, Victoria and Queensland the homebuyer will pay substantial amounts toward off-site infrastructure, an

43 Urban Development Institute of Australia, *Submission 190*, pp. 12–13.

44 Urban Development Institute of Australia, *Submission 190*, p. 13.

45 Mr Saul Eslake, *Submission 2*, pp. 5–6.

46 JELD-WEN Australia, *Submission 54*, p. 7.

approach which on the one hand adds to housing costs, but on the other ensures the adequate provision of infrastructure. In South Australia, however, the opposite situation prevailed, where in many cases no adequate infrastructure was provided. Professor Beer suggested new thinking was required as to how 'we can finance infrastructure over the life of the property rather than putting all the costs either on the general taxpayer or on the first home buyer'.⁴⁷ Professor Beer suggested, for example, that local councils should be able to raise bonds to fund infrastructure:

They can raise a bond—which obviously they get at a very low rate relative to some forms of commercial credit—which they can pay off over time. So, there is intergenerational equity, because it is not the first generation of home purchasers who have to pay that enormous cost; it is actually spread over the 20, 30, 40 or 50 years of the life of that infrastructure. It is equitable spatially, because those who are living at the fringe and choosing to move into that housing and are getting the benefit of that new housing pay for it. It can also be equitable for those living in the city areas, because they are not paying for it and also, if they are going through a process of urban regeneration, they can actually create their own bond and pay for the redevelopment of their urban infrastructure in ways that may be needed by using a similar sort of device. And it is not one generation that pays for it, because they are not the only generation to benefit.⁴⁸

6.52 Similarly, Mr Michael Basso argued that the shift toward developers paying for infrastructure in new estates, rather than local councils, had:

...a significant impact on the price of land, which has flowed through to the cost of existing properties, pushing prices up across the board. Developers obviously build these infrastructure costs into their prices meaning buyers need to pay significantly more upfront, money that will generally be borrowed and cost them significantly more in interest over time. Given the flow-on effect into existing house prices, every property buyer is essentially paying this extra amount in perpetuity and this is ultimately ending up in the banks' coffers through interest charged on the loans. It would make a lot more sense for councils to absorb this cost through some form of development bond and have residents repay the cost through council rates.⁴⁹

6.53 While much of the evidence received was focused on the costs imposed on developers by current infrastructure charging arrangements—and in turn the impact this had on housing prices—the Brisbane City Council argued that it was required to bear much of this cost itself. Specifically, the Council told the committee that the imposition of state-wide regulated maximum infrastructure charges in Queensland

47 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 16.

48 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, pp. 20–21.

49 Mr Michael Basso, *Submission 209*, p. 5.

placed the Council under considerable fiscal pressure.⁵⁰ It suggested that under the prevailing arrangements in Queensland, the Council was effectively subsidising infrastructure costs:

At the present time, council subsidises new house lots by an average of some \$10,000 to \$15,000. The standard charge has been set across the state at \$28,000 by the state government. We are currently charging \$27,000 per allotment. As I said, we believe the user pays charge would be in the order of about \$35,000 for a lot of housing but in some parts of Brisbane the user pays charge is in the order of \$55,000 to \$65,000. So in that regard we are subsidising development using general rates revenue. While it does add to the cost of housing, without the supply of essential infrastructure such as water, sewerage and access to transport, there is no product that can be sold so it is something that really adds value. If it is not there, the development has no value whatsoever.⁵¹

6.54 The HIA suggested that alternative infrastructure funding mechanisms could provide better affordability outcomes for new home buyers. Mechanisms suggested by the HIA included government infrastructure bonds and the Tax Increment Financing model, wherein government is able to draw tax revenues from increases in value within prescribed Tax Increment Financing areas to cover the up-front costs of infrastructure.⁵² Mr Eslake also suggested that an alternative approach to infrastructure funding might to use 'levies on the increments to the value of the land which result from such investments'.⁵³

6.55 Youth Action NSW referred to the McKell Institute 2012 report, *Homes for All*, which argued that the levies and charges charged to developers by local governments were, in Youth Action NSW's words, 'dramatically impacting on the housing supply in New South Wales'.⁵⁴ Drawing on the McKell Institute's report, Youth Action NSW argued:

Tax Increment Finance (TIF) schemes should be implemented in order to redistribute infrastructure costs. A TIF scheme allows local authorities to borrow money in order to advance infrastructure growth. The money can be

50 These limits are set out in Department of State Development, Infrastructure and Planning, *State Planning Regulatory Provision (adopted charges)* (July 2012), <http://www.dsdip.qld.gov.au/resources/laws/state-planning-regulatory-provision/sprp-ict.pdf>.

51 Mr Kerry Doss, Manager, City Planning and Economic Development, City Planning and Sustainability Division, Brisbane City Council, *Proof Committee Hansard*, 10 September 2014, p. 2.

52 Housing Industry Association, *Submission 178*, pp. 9–10. On TIF, see PriceWaterhouseCoopers, draft report for the Property Council of Australia, 'Tax Increment Financing to fund infrastructure in Australia' (April 2008), http://www.infrastructureaustralia.gov.au/public_submissions/published/files/486_propertycouncilofaustralia_sub2.pdf.

53 Mr Saul Eslake, *Submission 2*, p. 15.

54 Youth Action NSW, *Submission 51*, pp. 81–82.

sourced from the public or private sector. The construction of infrastructure will increase site values and local tax revenues, along with providing incentives for local communities to support growth.⁵⁵

6.56 In order to improve equity and affordability outcomes, the UDIA recommended that governments:

...favour funding and financing approaches that spread the cost of infrastructure out over extended time frames, rather than impose it up front, such as through developer contributions.⁵⁶

6.57 Similarly, BIS Shrapnel argued that the cost of infrastructure associated with new development is often borne by developers and thus new residents, despite the benefit being enjoyed by the broader community. It argued:

A shift in focus could result in a more equitable sharing of infrastructure costs across all who benefit from them. There exists a role for government to play in funding and providing the necessary infrastructure here and the right balance must be struck between developers and government as to who foots the bill. This would help reduce developer contribution costs and thus help limit the ultimate cost of new housing development.⁵⁷

Previous reviews of infrastructure charges

6.58 It should be noted at this point that the issues raised in this inquiry regarding infrastructure charges have been covered extensively in previous review processes, including the HSAR final report and the Henry Review.

6.59 The Henry Review addressed infrastructure charges in some detail. It found that infrastructure charges 'can be an effective way of encouraging the efficient provision of infrastructure where it is of greatest value and of improving housing supply'. However, it also found that poorly administered infrastructure charges—particularly charges that are complex, non-transparent or excessive—'can discourage investment in housing, which can lower the overall supply of housing and raise its price'. The Henry Review recommended that COAG review infrastructure charges to ensure they were transparent and 'appropriately price infrastructure provided in housing developments'.⁵⁸

6.60 The issue of infrastructure charges was subsequently reviewed by COAG's HSAR Working Party. In 2012, COAG agreed to the recommendation made in the HSAR final report that infrastructure charges should be consistent with four principles agreed by the HSAR Working Party, covering efficiency, transparency and accountability, predictability, and equity (as outlined below). COAG also agreed to

55 Youth Action NSW, *Submission 51*, p. 84.

56 Urban Development Institute of Australia, *Submission 190*, p. 5.

57 BIS Shrapnel, *Submission 16*, p. 3.

58 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 423–29.

note the best practice guidelines for applying the infrastructure charging principles, as developed by the HSAR Working Party.⁵⁹

6.61 The HSAR report suggested that infrastructure charges should only be used when infrastructure serviced a particular development, or when the infrastructure serviced a number of developments but it was nonetheless possible to apportion costs based on the demand each development placed on the infrastructure. It suggested that infrastructure should be funded through general revenue in the instance it serviced a number of developments, and it would be 'extremely difficult or not possible to accurately apportion the costs because the benefits of the infrastructure are widely distributed'. It also suggested that such charges should not be levied in cases where direct user charges could be applied.

6.62 The final report recommended that to the extent infrastructure charges were used, they should at least be:

- *efficient*—charges should be for infrastructure required for the proposed development or for servicing a major development;
- *transparent and accountable*—charging regimes should be supported by publicly available information on the infrastructure subject to charges, the methodology used to determine charges and the expenditure of funds;
- *predictable*—charges should be in line with published methodologies and charging schedules (with clarity around the circumstances in which charges can be modified after agreement); and
- *equitable*—where the benefits of infrastructure provision are shared between developers (land owners), the infrastructure charges levied on the developer should be no higher than the proportional demand that their development will place on that infrastructure.⁶⁰

Committee view

6.63 The committee notes that many of the issues raised and recommendations made by witnesses in this inquiry regarding infrastructure charges have been canvassed in previous inquiry reports, including the Henry Review and the HSAR final report that COAG agreed to in 2012. The committee also recognises that the question of how infrastructure is funded raises complex equity issues. Expressed in the most basic terms, these issues come down to who should pay for new infrastructure and when they should pay it: should new home buyers bear the cost,

59 COAG Housing Supply and Affordability Reform Working Party, Final Report, *Housing Supply and Affordability Reform* (July 2012), pp. 14–15. The best practice guidelines are included in the final report at Appendix B. COAG agreed the report recommendations out-of-session in July 2012. <https://www.coag.gov.au/node/451>.

60 COAG Housing Supply and Affordability Reform Working Party, Final Report, *Housing Supply and Affordability Reform* (July 2012), p. 15.

either up-front or over time? Or should the broader community bear the cost, particularly when it is established that the benefits from that infrastructure are shared by the wider community?

6.64 There are no simple answers to these questions. However, the committee does note that the final HSAR report recommended that COAG agree to the HSAR Working Party's four principles for infrastructure charges—efficiency, transparency and accountability, predictability, and equity—and that COAG note the associated best practice guidelines produced by the Working Party. In light of COAG agreeing to this recommendation, the committee believes it would be beneficial for state and territory governments to report through COAG (and preferably through the recommended ministerial council for housing and homelessness) on what changes, if any, they have since made to ensure infrastructure charges are consistent with these four principles. This would help ensure that progress is being made in this area, and encourage transparency, information sharing and the take-up of best practice approaches to infrastructure charges.

6.65 Several submitters raised the possibility of using Tax Increment Financing or bonds to fund infrastructure in new housing developments. The committee believes that, if nothing else, alternative approaches to infrastructure funding may merit further consideration by state and local governments.

Recommendation 6

6.66 The committee recommends that all states and territories report to the Council of Australian Governments (COAG), preferably through a new ministerial council on housing and homelessness (see recommendation 2), on what policy changes, if any, have been made to ensure infrastructure charges are consistent with the four principles agreed through COAG in July 2012.

Recommendation 7

6.67 The committee recommends that state and local governments investigate the possibility of using Tax Increment Financing and other innovative finance mechanisms to fund infrastructure for new housing developments.

Chapter 7

Zoning, planning and approval processes

7.1 This chapter considers the effect of zoning, planning and approval processes on housing supply and affordability.

7.2 A number of witnesses suggested the lack of an adequate supply response to housing demand in Australia, and by extension poor housing affordability, was in large part due to inefficient zoning and planning processes. For instance, some argued that the rate of release of new land for development to the market can have a significant effect on the cost of new homes on the urban fringe. Other witnesses, however, countered that housing affordability is not necessarily improved simply through greater land release. Indeed, they argued that to the extent that new housing developments are not supported by adequate infrastructure and services, this can add hidden housing costs, which may not be reflected in traditional measures of affordability. This chapter weighs and assesses these different viewpoints.

7.3 This chapter further considers the influence of development assessment processes on the supply of housing stock, and by extension on housing affordability. Some witnesses expressed concern that the success of urban infill developments and densification projects were too often subject to the whims of a small number of existing residents (or, to use the common pejorative, 'nimbys') or narrow special interest groups. The incidence and associated costs of third party appeal and objection rights, according to these witnesses, underlined the need for development assessment reform.

7.4 These concerns, along with the broader question of the Commonwealth's role in urban planning and development, are addressed in this chapter.

Planning systems and housing affordability

7.5 The Henry Review, which recommended that COAG review institutional arrangements to ensure zoning and planning do not unnecessarily inhibit housing supply and housing affordability, outlined the occasional tension between the need for planning systems and housing affordability:

Features of the planning system intend to enhance the efficiency of land use in two ways: by managing or preventing perceived negative spillovers from development activities that may extend beyond the site of the development itself; and by facilitating positive spillovers through the provision of public goods. However, planning can also add costs, such as where the regulations are not well-targeted and lengthy development assessment processes are involved. The key question is whether the benefits outweigh the costs.¹

1 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 420.

7.6 Some witnesses argued that Australian planning systems, on balance, imposed costs that were not commensurate with the benefits they provided. The HIA, for example, argued that in many instances planning systems in Australia were 'acting as a disincentive, or worse still, a barrier to growth' in housing supply. It submitted that while planning systems are the responsibility of the states and territories, the Commonwealth 'can have a significant influence in the delivery of streamlined approval processes and in encouraging greater standardisation across borders'.²

7.7 Similarly, BIS Shrapnel submitted that 'uncertainty over the planning provisions in various jurisdictions will act as a constraint on dwelling supply'.³ The REIA focused on apparent delays in the approvals process for new land release, and the effect this had on housing affordability.⁴ The UDIA raised similar concerns, suggesting that overly complex and restrictive planning regimes at the state and local government levels:

...are often a major barrier to the supply of new housing, and can contribute considerably to the affordability problem by increasing costs.

The holding costs involved in the urban development process are often very high, which means that development projects are usually very sensitive to time delays, as they blow out holding costs. Unfortunately planning, zoning and approvals processes in many cities can be extremely slow, adding considerably to the cost of new housing. The 2011 Productivity Commission Report on planning, zoning and development assessment found that across Australia's five largest cities, it can be as long as a decade from the commencement of rezoning to subdivision approval and the installation of infrastructure, indicating the need for planning system reform.

There is an urgent need for state and local governments around the country to work together to undertake major planning system reform, to increase the supply of urban land and reduce delays and uncertainty associated with zoning, planning and approvals processes.⁵

7.8 Professor Beer told the committee that it was often the case that a particular planning regulation may have once served a purpose, but has since become outdated and an impediment to the development of affordable housing. He argued that there was a need for policy flexibility in this regard, with planning legislation reviewed 'to achieve better outcomes in terms of affordability'.⁶

2 Housing Industry Association, *Submission 178*, p. 11.

3 BIS Shrapnel, *Submission 16*, p. 4.

4 Real Estate Institute of Australia, *Submission 88*, p. 11.

5 Urban Development Institute of Australia, *Submission 190*, pp. 10–11.

6 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 15.

7.9 According to Professor Beer, local councils 'at the sharp end of the planning system' were not always concerned with housing affordability. Instead, he suggested, they tended to: reflect local interests; be tactical, not strategic; be affected by nimbyism; and de-prioritise housing affordability.⁷

7.10 JELD-WEN recommended the Commonwealth provide financial incentives for state and local governments that 'embrace planning reforms that support economic growth':

In recognition of the financial constraints operating on the federal budget, it might be appropriate to consolidate existing housing funds into a renewed national competition payments system to reward States and Local Government that facilitate new housing development through the release of land and reduced development assessment and approval times.⁸

7.11 While some witnesses submitted that inefficient regulations were adding to housing costs, others reminded the committee that regulations serve a range of policy purposes that extend beyond housing affordability. In its submission, the RBA acknowledged that planning and approval processes could create delays that in turn add to housing costs. However, it also pointed out that such issues:

...are not specific to Australia and many of these regulations are intended to promote other social goals, such as ensuring buildings are constructed safely and that neighbouring residents do not have costs and inconveniences imposed upon them about which they are not consulted.⁹

7.12 Housing researchers from Swinburne University of Technology argued calls for planning deregulation sometimes had less to do with a genuine interest in affordability, and more to do with increasing profitability through lower regulatory compliance costs. They submitted:

There is some logic in the planning reform arguments but we argue that this is not about deregulation per se, it is about better performance which could require in some cases more regulation [in] parallel with deregulation.¹⁰

7.13 Mr Cameron Murray also challenged the idea that local government planning regulations were acting as a constraint on housing supply. Mr Murray—who more broadly disputed the underlying assumption that housing affordability in Australia had deteriorated in recent decades—referred to this as the 'planning constraint myth'. If constraints on development type and scale through local government planning regulations existed, Mr Murray argued, then this would show up as an increase in rents commensurate with house prices, and a reduction in the stock of approved but

7 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, pp. 18–19.

8 JELD-WEN Australia, *Submission 54*, p. 8.

9 Reserve Bank of Australia, *Submission 14*, p. 8.

10 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 6.

undeveloped housing sites. Mr Murray presented evidence suggesting neither phenomena existed, including evidence that local councils in Queensland had, in fact, approved 'far more dwellings than can [be] absorbed into the market'.¹¹

Land release and rezoning

7.14 Some witnesses argued that the failure of governments and other parties to release land for housing development was a key reason housing supply was not keeping pace with demand. JELD-WEN expressed concerns regarding planning strategies adopted by state governments to limit greenfield development and contain urban expansion. It argued that these strategies, combined with higher infrastructure contributions from developers, 'have seen marked increases in the cost of supplying serviced land for new housing, causing purchasers to shift buyer activity towards existing dwellings'.¹²

7.15 BIS Shrapnel explained that improved land release did not only mean releasing new land on city fringes, but could also include:

...rezoning existing commercial and industrial land that may be more valuable as residential or increasing the height and density limits of sites. Implementing taxation reform to discourage 'land banking' and encourage the development of available land would also assist in increasing the supply of new dwellings. This would serve to limit future increases in the cost of land and ultimately improve the affordability of new housing.¹³

7.16 MBA, meanwhile, recommended that local governments should be required to develop individual land release plans with a ten-year horizon, 'with greater roles for market signals and the private sector'.¹⁴

7.17 In its submission, WALGA submitted that the inadequacy of land release was not simply due to inaction by state and local governments, but was also partly attributable to developers and investors withholding land from market:

In examining issues concerning housing affordability, the WA State Government's Community Development and Justice Standing Committee found that 'undeveloped land in Western Australia is relatively plentiful [and] 25,000 subdivided and undeveloped lots are being withheld from the market in the Perth region by developers.' Whilst many of these lots are being withheld from the market by large scale property developers and investors, a large number of lots are being withheld by small scale 'mum and dad' investors, speculating in increases in the value of land. These investors are attracted by the existing tax regime which offers deductions

11 Mr Cameron Murray, *Submission 17*, p. 5.

12 JELD-WEN Australia, *Submission 54*, p. 8.

13 BIS Shrapnel, *Submission 16*, p. 2.

14 Master Builders Australia, *Submission 48*, p. 13.

for expenses such as loan interest and council rates on land that is bought with the intention of constructing a rental property.¹⁵

7.18 Similarly, Professor Dalton suggested there was some evidence that developers in Victoria were preventing the release of land to the market. Noting that there are about 8 to 11 large land companies releasing land in master-planned estates on the fringes of Melbourne, Professor Dalton suggested there were:

...some hard questions to be asked of the companies that are operating in that area about the way in which they approach supply. Essentially, they are not going to be releasing lots of land into the market that interferes with their long-term projections about their profits. So there is some institutional behaviour within the land companies themselves—the people who are not doing the building but actually releasing the land on the fringe, and that is the area we are concentrating on for the moment—that I think needs a bit more questioning. We saw a policy initiative that started in the 1970s—the nationally supported land development companies run by state governments, some of which still exist in various forms—to challenge that oligopolistic behaviour on the fringes. I think that oligopoly still exists to some extent and needs investigation.¹⁶

7.19 A key focus of the HIA's submission was what it regarded as the need for a more effective, efficient and transparent land supply pipeline in Australia. To meet this need, the HIA recommended the establishment of a mandatory national reporting framework for land supply. This recommendation and the reasoning underlying it, is worth quoting at length:

The assessment, development and delivery of new land to market can take over 10 years, yet accurate and holistic information about Australia's land supply pipeline is scarce. HIA recommends the federal government establish a mandatory national reporting framework for land supply as a matter of priority.

State and territory governments collect and publish information on land supply. However, in several instances it is not timely, in some cases it is not accurate, and in all cases it is not related to the projected housing delivery commitments envisaged in capital city metropolitan strategies.

The federal government needs to play a role in the co-ordination of this information, which is critical to supporting the delivery of homes to meet Australia's growing population.

The accurate collection of data on land supply needs to capture all stages of the land supply pipeline. This should include nationally consistent definitions to describe the various stages of the land supply pipeline. Timely periodic reporting should include information on land that has

15 Western Australian Local Government Association, *Submission 37*, p. 2.

16 Professor Tony Dalton, Professor of Urban and Social Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 15.

received 'works approvals' to more accurately identify any blockages in the planning process.

Much of the information needed to achieve a holistic grasp of land, infrastructure and housing supply is captured variously by local and state/territory governments. However, the scope of data collection and its interpretation lacks consistency and is rarely compiled and shared across agencies. HIA supports the establishment of a national unit within Commonwealth Treasury with a sole focus being to collect, analyse, interpret and report on both housing and land supply pipelines, with a terms of reference similar to those of the Indicative Planning Council for Housing, which undertook this important function during the 1990s.¹⁷

Land release and challenges in outer suburban areas

7.20 In contrast to some of the arguments summarised above, a number of witnesses told the committee that increased land releases were not a panacea for affordability issues. Professor Carolyn Whitzman discussed Melbourne's experience in recent decades to illustrate the point:

It has essentially been a supply-side approach for the last 20 years. The urban growth boundary of Melbourne was expanded four times under the rationale that there was a need for an increased land supply, which would create an increased housing supply and somehow that, through magic fingers, would turn into affordable housing. But affordable housing is far worse than it ever was, including in the growth areas. That is not affordable housing. In 2011 there were 70,000 properties available in greater Melbourne and three per cent of them were affordable to median income earners. Over 50 per cent of them were unaffordable to anyone but the highest quintile of earners. Affordability through supply has not worked.¹⁸

7.21 Poorly managed new land releases could, some witnesses warned, create new problems, and in some cases actually damage housing affordability. Professor Wilkins added that land supply decisions should not be made without proper reference to the need for land to be appropriately located and supported by quality infrastructure and services:

When we are talking about available supply, it is not a simple matter of more land being available for building houses on. As we all know, the price of housing is very location determined. What are the factors that are driving location-based price differentials? It is things like proximity to services, jobs and the like. Any supply response has to be thinking in terms of supply of housing that is proximate to where people want to be. It is probably pretty affordable to build a house in the middle of nowhere, notwithstanding some difficulties in getting workers to go out there and build it. What this really suggests is that you cannot divorce this from

17 Housing Industry Association, *Submission 178*, p. 10–11.

18 Professor Carolyn Whitzman, Professor of Urban Planning, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 15.

infrastructure development and in particular transport infrastructure, and I am speaking of both public and private infrastructure.¹⁹

7.22 Like Professor Wilkins, a number of witnesses told the committee that real affordability on the urban fringe was dependent on the adequate provision of infrastructure and services. For instance, the National Growth Areas Alliance argued that while population growth rates in outer urban areas were twice the national average, there had been no corresponding growth in infrastructure. This lack of infrastructure, it told the committee, resulted in higher costs of living, particularly in terms of transport costs. Inadequate service provision in outer urban areas, meanwhile, contributed to poorer educational and employment outcomes for residents. To some extent then, the greater availability of affordable housing options on the urban fringe was negated by these hidden costs. What might at first appear to be affordable housing, as the Chief Executive of the Alliance, Ms Ruth Spielman, explained, 'quickly becomes unaffordable living'.²⁰

7.23 Ms Spielman continued that the funding and creation of supporting infrastructure needed to be more strategic and integrated than was currently the case. Rather than the states putting their priorities to the Commonwealth and having projects assessed on a project-by-project basis, the various levels of government needed to identify region-wide infrastructure needs.²¹

7.24 Professor Dodson raised similar issues in his appearance before the committee, highlighting the problem of spatial disadvantage apparent in outer suburban areas where most 'affordable' housing was located. Inadequate infrastructure in those areas, and a lack of health, education and employment services and opportunities relative to core areas, was a dimension of housing affordability that was not, Professor Dodson suggested, 'coordinated very well within our policy architecture'.²²

7.25 Other witnesses, including Professor Pawson, expressed concern that people on low incomes were being pushed to the urban fringe in search of affordable housing. He argued that because employment opportunities were relatively poor in many of these areas, this had the effect of entrenching spatial disadvantage.²³ Similarly,

19 Associate Professor Roger Wilkins, Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, pp. 15–16.

20 Ms Ruth Spielman, Executive Officer, National Growth Areas Alliance, *Proof Committee Hansard*, 9 September 2014, p. 62.

21 Ms Ruth Spielman, Executive Officer, National Growth Areas Alliance, *Proof Committee Hansard*, 9 September 2014, p. 62.

22 Professor Jago Dodson, Professor of Urban Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 13.

23 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 35.

housing researchers from Swinburne University of Technology noted that the housing affordability problem in Australia 'has an evolving and deepening spatial dimension'. Households on low to moderate incomes are forced to live in areas with poor access to employment, transport, services and facilities. Ultimately, a housing market which:

...pushes low income households generally, and families specifically, to the urban edge may create major issues of workforce opportunity and participation and social connectedness.²⁴

7.26 The Swinburne researchers added that higher rates of land release on the urban fringe would not improve affordability if it placed 'more households in areas of poor employment and social service':

This spatial polarisation issue is one reason why the simplistic arguments about releasing more land on the urban fringe as a solution to the affordability problem are in themselves problematic; the existing evidence suggests it will inevitably create highly polarised cities with social and political dysfunction and lack of liveability for many.²⁵

7.27 Professor Frank Stilwell, while suggesting that Australia's housing affordability problems were a function of the land price inflation, argued that simply releasing more land on the urban fringe was unlikely to provide an effective solution. Developments on the urban fringe, he argued, are 'quickly absorbed into the overall working of the metropolitan land and property markets'. Whereas other witnesses argued that developments in outer urban areas required better supporting infrastructure and services, Professor Stilwell argued that policymakers should instead focus on creating new cities in regional and rural Australia. These new population centres:

...would both 'take the heat off' the metropolitan areas and give a much needed boost to regional localities that currently need economic stimulus. It is essential that any such decentralization programs should also focus on policies for job-creation or job-transfer to those non-metropolitan regions: so housing development must be integrated with urban and regional economic policy.²⁶

Commonwealth land supply

7.28 Generally speaking, responsibility for the release or rezoning of land for residential development lies with state and territory governments. However, several witnesses, including the UDIA, the REIA and JELD-WEN, suggested that the Commonwealth should look to release the surplus land it owned. It was argued that the release of this land, including substantial Department of Defence land holdings

24 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 4.

25 Institute for Social Research, Swinburne University of Technology, *Submission 86*, pp. 4, 6–7.

26 Professor Frank Stilwell, *Submission 25*, pp. 3–4.

near or within capital cities, would help improve housing supply and go some way toward improving affordability outcomes.²⁷

7.29 It is worth noting at this juncture that the Department of Finance maintains a *Register of Surplus Commonwealth Land Potentially Suitable for Housing and Community Outcomes* on its website. However, as the National Commission of Audit (NCOA) noted, there appears to be no complete whole-of-government public register of Defence and non-Defence Commonwealth-owned property. The NCOA suggested that a 'central register of the Commonwealth estate would benefit planning and strategies to improve the use of property, including identifying properties with potential for sale'.²⁸

Infill development and densification

7.30 JELD-WEN questioned the underlying contention of supporters of urban consolidation that there is substantial under-utilised capacity in existing urban infrastructure to accommodate a marked increase in population densities in established areas. It pointed instead to evidence of an infrastructure renewal gap in established areas, with infrastructure deteriorating due to under-spending on maintenance and improvement.²⁹

7.31 Housing researchers from Swinburne University of Technology questioned the effect of higher density developments on affordability outcomes. They argued that while developers often pushed for planning deregulation to allow higher density developments:

...without some parallel interventions the effect more often than not is to push land prices up not down making residential property more expensive for everyone including ordinary home purchasers.

Increasing density means a developer will make a judgment on how much yield can be obtained from each unit and therefore how much is to be paid for the land. What we have got out of this process to date is (a) many, often large scale, small and poor quality one and two bedroom apartments catering for singles and childless couples who have the residual income to afford to buy a small apartment. (b) An increase in land values in all those areas where developers believe that they can maximise the density and yield from each dwelling, notably in the inner and middle ring suburbs of major cities. The land takes on the value of the potential yield so the more density controls are relaxed the more the value of land increases.³⁰

27 Urban Development Institute of Australia, *Submission 190*, p. 10; Real Estate Institute of Australia, *Submission 88*, p. 9; JELD-WEN Australia, *Submission 54*, p. 9.

28 National Commission of Audit, *Toward Responsible Government: Appendix to the Report of the National Commission of Audit*, Vol. 2 (February 2014), p. 188.

29 JELD-WEN Australia, *Submission 54*, p. 8.

30 Institute for Social Research, Swinburne University of Technology, *Submission 86*, pp. 6–7.

7.32 However, some witnesses, such as Professor Beer, argued that higher density, infill developments would help increase the range of affordable housing options available to people.³¹

7.33 The RBA drew the committee's attention to a growing trend in Australia toward higher-density housing, with more than 40 per cent of new residential building approvals for medium-density and higher-density housing. This compared, the RBA reported, to about 25 per cent in the 1970s and 1980s. As well as gradually bringing the composition of Australia's housing stock more into line with that in other countries, this shift meant there were a wider range of housing types to satisfy diverse needs. While per dwelling construction costs were higher and construction lags longer for multistorey developments, denser construction nonetheless:

...allows households to choose to economise on the amount of land they consume, rather than being restricted to larger (and more expensive) blocks and detached structures.³²

Urban renewal and housing affordability

7.34 Several submitters pointed to the potential to improve housing affordability through urban renewal activities that are properly supported by government. For instance, the CFRC argued that Commonwealth support for major urban infrastructure initiatives, especially in relation to transport investment and linked to urban renewal outcomes, 'offers significant opportunities to support the supply of new affordable housing'. The CFRC emphasised the need for Commonwealth affordable housing investments (a subject discussed in the second part of the report) to be properly integrated with state and territory planning policies in order to ensure affordable housing is provided 'in locations close to the accessible jobs, services and transport that these new infrastructure investments will provide'. The CFRC concluded that:

...there is a significant opportunity to integrate Commonwealth investment in new urban infrastructure and ongoing Commonwealth subsidies for affordable and private sector housing with State and Territory planning policies for new affordable housing supply via urban renewal projects. In this way, public investment across these three policy domains could be made to work much better at generating new affordable housing provision in accessible urban locations. At present, this opportunity is being squandered.³³

The Commonwealth's role in urban planning and development

7.35 Like many other supply-side issues, there was a general recognition from witnesses that urban planning arrangements were primarily the responsibility of state

31 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 14.

32 Reserve Bank of Australia, *Submission 14*, p. 10.

33 City Futures Research Centre, UNSW, *Submission 152*, pp. 16–17.

and local governments. Mr Luke Foley from the UDIA acknowledged, for instance, that the Commonwealth's ability to influence policy in this space was limited. He noted, however, that the now disbanded major cities unit in the Department of Infrastructure had been doing some good work in this area:

It was bringing the Commonwealth into that space and was contributing positively to that arena as far as providing direction and getting the perspective from different parts of the country and building that into a broader plan for cities.³⁴

7.36 The committee notes that in the past the Commonwealth has been actively involved in the urban planning and development policy space. Notably, in 2011 the Labor Government released the National Urban Policy (NUP), *Our Cities, Our Future*. According to the NUP's foreword by the then Minister for Infrastructure and Transport, the Hon Anthony Albanese MP, the NUP:

...establishes the Australian Government's objectives and directions for our cities as we prepare for the decades ahead. It recognises the critical roles of State, Territory and local governments, the private sector and individuals, in planning, managing and investing in cities. It also highlights that the Australian Government makes decisions that impact upon urban Australia. This is the first time that an Australian Government has sought to outline its overarching goals for the nation's cities and how we will play a role in making them more productive, sustainable and liveable.³⁵

7.37 The committee further notes that in January 2012, the Labor Government established the Urban Policy Forum to provide advice to the government on the implementation of the NUP. The Forum consisted of members from all levels of government, industry and academia, and was chaired by the Secretary of the Department of Infrastructure and Transport.³⁶

'Nimbyism' and the delivery of new housing stock

7.38 Several housing industry participants and peak bodies expressed concern that new housing developments, and in particular infill and higher density developments, often do not proceed or proceed at higher cost than necessary due to excessive weight given to third party appeals and objections. Asked how to find a balance between empowering local communities and ensuring this power was not misused, MBA emphasised the need for long term master-planning for cities to provide certainty to residents, the community and investors. MBA also pointed to the need for streamlined

34 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 69–70.

35 Australian Government, *Our Cities, Our Future: A national urban policy for a productive, sustainable and liveable future* (2011), p. 2.

36 The Hon Anthony Albanese, media release, 'Urban Policy Forum to provide stakeholder advice on cities', 20 January 2012, <http://anthonyalbanese.com.au/urban-policy-forum-to-provide-stakeholder-advice-on-cities>.

appeal processes, to prevent people 'maliciously' using the appeals process 'to thwart all sorts of developments for whatever reason'.³⁷ MBA argued that while citizens should have a right to influence policy, this should not mean that:

...if one person opposes a development and 90,000 people approve it, that the whole thing collapses. In terms of institutional frameworks and public policy, you might set thresholds above which that one individual cannot object—they can object but it is not necessarily given the credence that it deserves.³⁸

7.39 MBA also told the committee there was a need to distinguish between 'the interested party' and 'the impacted party' in appeal processes. In this regard, MBA explained that its concern was not so much with people directly impacted by a development being able to object, but rather with 'someone having the capacity to object to a development that is totally on the other side of their town'.³⁹

7.40 Nimbyism, according to MBA, was also an obstacle to building the high-rise development that Australia needed to meet the diverse needs of its growing population.⁴⁰

7.41 The HIA told the committee of its frustrations with regard to nimbyism and the uncertainty it created for the construction industry in making decisions about where to add additional housing stock. This uncertainty, it contended, ultimately added extra costs to the delivery of new housing stock.⁴¹ These costs, the HIA told the committee, were currently entrenched in the planning system:

I think we [have] a legacy of the objections that have taken place over the last decade or two where planning schemes, requirements for reports, assessments, analysis and so on have been required over the years and they have become embedded into the planning process. Not only is the planning process at risk of being frustrated by nimbies, or objectors, today; it is already frustrated by the residual of objectors of the past where they have made certain positions and those positions become embedded into planning policies at a council level, or that the councillors at a local level sell that

37 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 35.

38 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 36.

39 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 37–38; Dr Brent Davis, National Director, Industry Policy, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, pp. 38–39.

40 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 38.

41 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 48.

particular issue and developers know that in that particular council these are the issues that apply.⁴²

7.42 The HIA told the committee that despite a commitment on the part of every state and territory government to increase the density of housing within major cities, even 'low and medium scale housing developments such as dual occupancies, villas and townhouses, require two approvals, public notification and in many jurisdictions are open to third party appeals.⁴³

7.43 Like MBA, the HIA told the committee that urban master-planning (or 'metropolitan planning') would ensure the rights of local communities were preserved while providing developers with the certainty they needed to deliver new housing stock:

In having that helicopter view and feeding that down into the councils, in a form of code-compliant type development so that we all know what development is going to be in our area—we all know that it is going to be a house or apartment or high-rise apartment—the people have an opportunity to contribute at the strategic stage, at the metropolitan-development stage. Once that has been resolved, and there is a great opportunity there for the population to understand that it is not just about them, it is about the greater population, then there is less opportunity for there to be objection at the local site-by-site level.⁴⁴

7.44 Concerns regarding the impact of third party objections and appeals on housing supply were not limited to housing industry bodies. For example, Mr Eslake noted:

[M]etropolitan planning authorities and inner-city local governments have made it increasingly more time-consuming and onerous to undertake higher-density or 'infill' developments on 'brownfields' sites—in particular by imposing tighter planning controls, and by providing more opportunities for objections to and appeals against planning decisions.⁴⁵

7.45 Mr Eslake expressed sympathy with the 'desire of residents in established areas to prevent developments which detract materially from their quality of life (and/or from the value of their properties)'. However, Mr Eslake also argued there is a need to reduce the:

...cost, complexity and regulatory uncertainty associated with 'brownfields' and 'infill' developments in established areas—which doesn't have to mean traducing the property rights of other property owners, but which should

42 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 50.

43 Housing Industry Association, *Submission 178*, p. 11.

44 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 45.

45 Mr Saul Eslake, *Submission 2*, p. 6.

mean clearer and more uniform planning rules, with fewer opportunities for frivolous or vexatious objections and appeals.⁴⁶

Development assessment and approval processes

7.46 To reduce the costs associated with third party objections to new housing developments, and generally improve the efficiency of development assessment processes, some witnesses argued for limiting the types of developments subject to third party objections and appeals. In particular, some witnesses recommended the wider use of code-based frameworks for assessing residential development applications—that is, where developments of a certain type in certain locations meet measurable requirements (or 'tick the boxes'), they are considered compliant and generally exempt from public notification or third-party objection and appeal processes. Others recommended a broader harmonisation of development assessment systems across or within jurisdictions.

7.47 For example, to address the abovementioned disconnect between the goal of higher density housing development and what it regarded as the excessive influence of opponents of new developments, the HIA recommended the implementation of:

...a nationally consistent single approval process for detached housing and low scale housing development, including dual occupancy housing developments. The application assessment process should be underpinned by a domestic code compliance mechanism based on transparency, certainty and plain language criteria.⁴⁷

7.48 Several state and local governments or government agencies told the committee that they had taken or were taking steps to improve planning and development assessment processes. Brisbane City Council, for instance, noted that it has funded improved development assessment processes aimed at supporting affordable housing by cutting red tape and reducing the assessment time for development applications:

These efficiencies translate directly to financial benefits for the housing industry, including reduced holding costs and reduced application printing costs. The community has benefited through faster decision times for social infrastructure projects, making these projects more affordable and expeditious and therefore more feasible. Efficiencies realised by developers as a result of electronic processing should also have been passed on to members of the wider community through consultancy fees and cost of housing products. More efficient and simplified processes have also meant less time and confusion for 'one off' developers when navigating the development assessment process for the first time, improving affordability for home makers.⁴⁸

46 Mr Saul Eslake, *Submission 2*, p. 15.

47 Housing Industry Association, *Submission 178*, p. 11.

48 Brisbane City Council, *Submission 121*, p. 2.

7.49 Mr Kerry Doss from the Brisbane City Council informed the committee that the Council had 'calibrated' its planning scheme:

...so that zones which are set aside for unit type approvals have a level of process and approval that is commensurate with that. For instance, if we have zoned land for multi-unit development, we have code assessable development for that, which takes out third party appeal rights and the opportunity for submissions. We have gone through our planning scheme and lowered the level of assessment to calibrate different land uses to the zone within which they fit, and that is all about cutting red tape and simplifying processes. We have also modified our approval processes to streamline for efficiencies.⁴⁹

7.50 Housing Tasmania pointed to the need for state and local governments to balance the need for robust planning and development assessment regulations against the time and cost such regulations can add to housing developments. It reported that the Tasmanian Government had, to this end:

...committed to reform the current situation of multiple planning systems to a single State planning system with Regional Land Use Strategies [and a] streamlined planning and approval process with the view to increasing development.⁵⁰

7.51 The Department of Housing and Public Works, Queensland, told the committee that the Queensland government had made some progress in introducing some simplicity into planning schemes. The shift 'away from prescriptive approaches' to planning, it reported, 'allowed for a greater level of autonomy by local governments to actually make changes to planning schemes and to do things like release land'.⁵¹

7.52 BIS Shrapnel commended the fact that the *New Planning System for NSW* reforms had included a streamlined approvals process, and specifically provision for code assessment in growth areas. However, after passing the Legislative Assembly, the legislation for the new system was withdrawn from the Legislative Council in November 2013, leaving the future of the reforms uncertain. BIS Shrapnel suggested that with the reform process on hold, 'supply may not reach its full potential'.⁵²

7.53 The committee notes that in responding to the NSW Government's proposed planning reforms, the then Shadow Minister for Planning and Infrastructure, the Hon Luke Foley MLC, indicated that the Opposition believed the code assessment proposals would strip community members of their 'rights to have their say about how

49 Mr Kerry Doss, Manager, City Planning and Economic Development, City Planning and Sustainability Division, Brisbane City Council, *Proof Committee Hansard*, 10 September 2014, p. 1.

50 Housing Tasmania, *Submission 217*, p. 3.

51 Mr Damien Walker, Deputy Director-General, Department of Housing and Public Works, Queensland, *Proof Committee Hansard*, 10 September 2014, p. 44.

52 BIS Shrapnel, *Submission 16*, p. 5.

their neighbourhood is developed, meaning high rise can be built without community members able to object'.⁵³

Committee view

7.54 Increased land supply per se, either in greenfield sites or infill developments, is not a panacea for poor housing affordability. The committee believes land release should align with long-term urban planning and must be targeted to the needs of housing buyers, including access to employment opportunities, health and education services and high quality transport infrastructure. While these matters are primarily the responsibility of the states and territories and local governments, the committee believes the Commonwealth can provide leadership in ensuring best-practice urban planning approaches are adopted in all jurisdictions. Moreover, because the Commonwealth has a role in funding and building supporting infrastructure for new housing developments, the committee suggests the Commonwealth needs be actively engaged on the issue of city planning and development, including urban regeneration.

7.55 The committee also agrees that greater transparency regarding land supply pipelines could provide for the more efficient delivery of housing stock to the market. As such, the committee suggests that the proposed COAG ministerial council on housing and homelessness (as at recommendation 2) consider ways to improve the consistency, timeliness and utility of government-collected and published information about land supply across jurisdictions.

7.56 The committee notes that a number of submitters argued the case for improved development assessment processes, including the introduction of code based assessments. While the committee agrees that code based assessments promise greater efficiency in the delivery of housing supply, it also notes public concerns that code assessment risks disempowering local communities and limiting their ability to shape how their neighbourhoods are developed. The committee believes that states and territories should continue to seek improved development assessment processes, and seek new efficiencies without unduly infringing on the right of local communities to register their legitimate concerns regarding housing developments.

Recommendation 8

7.57 The committee recommends that the proposed new Council of Australian Governments ministerial council on housing and homelessness (see recommendation 2) investigate ways to improve the consistency, timeliness and utility of government-collected and published information about land supply across jurisdictions.

53 The Hon Luke Foley MLC, Shadow Minister for Planning and Infrastructure, media release, 'Labor Opposition forces 46 amendments to O'Farrell Government's planning bill', 27 November 2013, <http://www.scca.org.au/Pdf%20links/2013PDFLinks/ShadowMinFoleyPlanningBill.pdf>.

Recommendation 9

7.58 The committee recommends that the Australian Government:

- (a) show leadership in regard to national urban planning policy and urban regeneration, given the role both can play in improving and driving housing affordability outcomes across Australia's major urban centres;**
- (b) reinstate the National Urban Policy and Major Cities Unit given the former role both played in driving housing affordability policy and outcomes at the national level; and**
- (c) show leadership in its policy capability and engagement with the states and territories with regard to urban planning policy.**

Recommendation 10

7.59 The committee recommends that the Australian Government consider developing a long-term strategy for regenerating Australia's urban centres and transport corridors. This strategy might be incorporated into a revised national urban policy, and would provide for an intergovernmental and coordinated approach to infrastructure delivery, including upgrades to social infrastructure, and the identification of redevelopment opportunities for government-owned land (as outlined in recommendation 11).

7.60 The committee further recommends that the Australian Government consider re-establishing the Urban Policy Forum, reconnecting with key stakeholders from the public and private sectors, academia and the community, and including responsibility for reviewing jurisdictional performance against targets relating to urban regeneration.

Recommendation 11

7.61 Government-owned land, whether state or Commonwealth-owned, represents a potential land supply for affordable housing. Current governance, transparency and divestment arrangements could be improved so that this potential might be realised. The committee recommends:

- (a) the creation of a transparent, public, up-to-date register of government land and buildings that are considered 'surplus' or on the divestment program, including the location and size of this land, and any development restrictions attached to it;**
- (b) the direct involvement of the Commonwealth agency with housing policy responsibility in any asset divestment programs, and the possible application of affordable housing targets in divestment programs;**
- (c) the development of innovative partnerships involving public, not-for-profit, community and private consortiums that develop affordable and diverse housing on government land and buildings; and**

- (d) the exploration of innovative models, such as community land trusts, on government-owned land where the government retains the land or a share in the development, but a community or not-for-profit housing provider develops affordable housing.**

Chapter 8

Innovation and the building industry

8.1 On average, construction costs constitute the single largest component of new dwelling costs, both for infill and greenfield developments. Indeed, according to the former NHSC, construction costs generally account for more than half of the costs of new dwellings across Australia.¹ In light of the overall significance of construction costs, this chapter considers whether the use of new construction methods and materials, or the adoption of more efficient regulatory settings as they apply to the construction industry, could help improve housing affordability.

8.2 In addition to considering these issues, this chapter also examines the influence of energy efficiency on housing affordability, and the need to build housing that is accessible, adaptable and culturally appropriate.

Construction costs

Building codes and regulations

8.3 Australia's on-site construction requirements are consolidated in a single code, the National Construction Code (NCC). The NCC covers the Building Code of Australia (BCA) and the Plumbing Code of Australia, and is managed by the Australian Building Codes Board (ABCB). The committee received evidence from the Chairman of the ABCB and a number of housing industry bodies regarding the efficiency and effectiveness of the NCC, and its relationship to housing affordability.

8.4 Put simply, the NCC, as the ABCB website explains, 'provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings (and new building work in existing buildings) throughout Australia'. The NCC is not a regulation itself, but 'model regulation' that the states and territories agree to use as the basis for their building control legislation.²

8.5 The NCC is a 'performance-based code', meaning builders and other participants in the construction industry have flexibility in how they comply with the NCC. In addition to mandatory Performance Requirements, the NCC includes Deemed-to-Satisfy Provisions (prescriptive solutions), which can be used to comply with the Performance Requirements. According to the ABCB, as a performance-based

1 Looking at the five mainland state capitals in its second *State of Supply Report* in 2010, this was true of infill developments in all markets, and greenfield developments in all markets except Sydney, where construction costs were 38 per cent of the total costs (with land costs constituting a higher proportion of greenfield development costs in Sydney). National Housing Supply Council, *2nd State of Supply Report* (2010), pp. 119, 121.

2 Australian Building Codes Board, 'About the National Construction Code', <http://www.abcb.gov.au/about-the-national-construction-code.aspx>.

code, the NCC encourages innovation. Mr Neil Savery, General Manager of the ABCB, explained the difference between performance-based standards and prescriptive standards:

A performance requirement does not tell you the solution. It says, 'This is the minimum thing we expect of you, but how you achieve it, how you solve it, is up to you.' And there are different ways you can have [to] demonstrate it—through a 'deemed to satisfy' provision; through a verification method, if they exist; through expert judgement, which can be your qualified building surveyor, your architect, your fire engineer et cetera. As opposed to, if it were a prescriptive solution, not only would we be telling you the measure you have to achieve, we would be telling you the way in which you had to achieve it and there is no alternative.³

8.6 Mr Savery told the committee that one step being taken to improve compliance with the NCC, and thereby reduce construction costs, was making the NCC a free document as of 2015.⁴

8.7 Mr Savery explained the relationship between improved access and compliance with the NCC and the upfront and ongoing costs of a house:

If we can lift productivity through increasing or improving access, awareness and understanding of the National Construction Code, we believe that we can improve compliance. If you improve compliance, you reduce cost. Cost should not be seen just in the context of the initial construction, be it a new house, the renovation of an existing house or an addition to an existing house. There are flow-on effects from not having to have disputations with builders and not having to go back and repair tardy workmanship and all of those things if we lift compliance.⁵

8.8 Conversely, Mr Savery argued, poor compliance with the NCC could add significantly to construction costs. Mr Savery explained that often local governments did not adequately understand the NCC, or understood it but nonetheless used planning scheme powers to introduce building requirements that exceeded its minimum national standards. Mr Savery provided the example of floor-to-ceiling height standards to highlight how such departures from the NCC could add to housing costs:

The National Construction Code sets the minimum standards; and in some local governments they insist that, say for a typical apartment building, the floor-to-ceiling heights be different. Apart from the fact that that exceeds the minimum standard, a lot of building practice is geared to the standards

3 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, p. 3.

4 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, p. 2.

5 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, pp. 1–2.

that have been set. When someone comes along and says, 'Ignore that, we want to set something different,' they have to go and customise designs, customise factory production processes. The other I will call it an absurdity is that you might simply be separated by a road that delineates two council areas. The council on the right abides by the National Construction Code and the council on the left does not. The builder is potentially building in both council areas and has to adjust to both construction requirements. That adds to cost.⁶

8.9 Asked to quantify the cost of local governments implementing standards in excess of the NCC minimums, Mr Savery pointed to a report by the Centre for International Economics suggesting 'local government variations that exist across the country are probably costing about \$300 million per annum'.⁷

8.10 The HIA also referred to the costs added by governments applying building standards that exceeded the national minimum standards, and recommended restricting the ability of governments to do so.⁸

8.11 Whereas Mr Savery and the ABCB Chairman's submission argued that the NCC had a positive impact on housing costs, the HIA suggested that the frequency of revisions to the BCA—which constitutes Volumes One and Two of the NCC—made it 'difficult for industry participants to maintain efficient operating processes'; this, in turn, imposed 'unnecessary costs, barriers and administrative burdens on business'. Changes to the BCA, the HIA argued, should be limited to every five years:

...to allow time for the residential building industry to interpret and apply the changes and to allow time to update internal administrative processes. The stringencies in the code should also be maintained over longer periods to allow the manufacturing sector to develop new and innovative product to meet these standards in more cost effective ways.⁹

New construction methods and materials

8.12 A number of submitters drew the committee's attention to new design and construction methods and building materials with the potential to reduce building costs and thereby improve affordability outcomes.

8.13 For example, Lend Lease informed the committee of alternative building materials it was pioneering in Australian housing construction, and how this was

6 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, p. 3.

7 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, p. 3.

8 Housing Industry Association, *Submission 178*, pp. 12–13.

9 Housing Industry Association, *Submission 178*, pp. 12–13. Mr Savery informed the committee that member governments have agreed that as of 2016 changes will be introduced on a three-year cycle. *Proof Committee Hansard*, 10 November 2014, p. 7.

shortening construction time and cost. The use of pre-fabrication, it suggested, had two particular cost advantages: 'it can be concurrently processed without any site constraints, and more importantly, it benefits from an assembly-line method of production as opposed to a cellular in-situ method.'¹⁰ Lend Lease added:

It is important to note that innovations in design, alternative materials and pre-fabrication such as these often need the early and explicit support of Governments. The lead time for adoption of innovative technologies and methods by markets and regulatory regimes can often be compressed with such support. This becomes less necessary over time as standardisation and economies of scale are achieved.¹¹

8.14 The HIA submitted that the availability of competitively priced imported and locally produced building products assists in containing building costs, and ultimately improving housing affordability. The globalisation of building products, it suggested, was 'providing builders and consumers with access to a wider choice of products as well as new products that are being utilised to meet more complex construction requirements.' At the same time, it warned that it was imperative that competition be on a fair and level playing field, and building standards and requirements for the performance and safety of building materials and products must be adhered to by both local and imported products:

At HIA's 2012 Housing Summit—*Building Products: a compliance free zone*, industry representatives and government officials agreed that ensuring building products and components used in the Australian housing industry comply with codes and standards was an important matter for consumers, regulators and policy makers as well as for builders and designers.

The cost of failure and subsequent replacement of substandard materials—and the damage they can cause—will invariably outstrip any initial savings on the original purchase, and in the case of structural materials, sanitary and electrical components particularly, the potential cost to the health and safety of staff or customers is far greater. The recent example of non-complying electrical wiring highlights this point.¹²

8.15 WALGA underlined the need for 'innovation in the use of building materials and construction methods' that could reduce the cost of developing new homes. Yet despite this need, WALGA suggested there was:

...very little evidence to suggest that innovative construction design and methods are being sought by the development industry in response to declining affordability of homes. The majority of those companies within the housing industry responding to affordability do so through reducing dwelling and lot sizes, changing dwelling product and sourcing cheaper or more efficient materials that reduce time (and therefore costs) on site. The

10 Lend Lease, *Submission 170*, p. 1.

11 Lend Lease, *Submission 170*, p. 2.

12 Housing Industry Association, *Submission 178*, p. 12.

bulk of any change that has happened in the building process involves a modification or refining of traditional construction techniques rather than wholesale change.¹³

8.16 Similarly, Professor Shane Murray remarked that, in terms of its delivery of stock, the housing industry remains essentially 'a cottage based industry which lacks innovation and sophistication in its delivery'. He argued that, at present, there was a 'type of extreme binary' in the forms of housing delivery, 'which are either high-rise apartments or detached low-density dwellings'. In order to deliver better affordability outcomes, he called for a greater emphasis on innovation 'through the industrialisation of the construction of housing—modularised delivery, off-site construction'.¹⁴

8.17 Asked about the tension between affordability and building quality, Mr Mills from the City of Melbourne cautioned that smaller apartment sizes or more cheaply designed and built dwellings did not necessarily equate to better affordability outcomes:

If you have poor-quality apartments without much light and ventilation, there are therefore life cycle costs of running that apartment, with more energy being used for light and mechanical ventilation, not to mention the health implications of living in a bedroom without a window. It is not any cheaper.¹⁵

8.18 Asked how flexible the NCC was in relation to new building materials and techniques, Mr Savery told the committee that one of the advantages of having a performance-based code was its flexibility. He noted the challenges innovation sometimes presented for regulators setting standards, yet told the committee:

Even though all regulators, all code writers and standards writers struggle with the fact that innovation comes along and it takes you time to move your processes through, if you have a performance-based code it at least allows people to come up with a performance-based solution to your minimum performance requirement, whilst you are working your way through with alternative standards.¹⁶

Energy efficiency and housing affordability

8.19 In large part, commentary about energy efficiency and its relationship to housing affordability during the inquiry focused on the 6-star requirements introduced

13 Western Australian Local Government Association, *Submission 37*, p. 12.

14 Professor Shane Murray, Dean, MADA, Monash University Faculty of Art Design & Architecture, *Proof Committee Hansard*, 9 September 2014, p. 14.

15 Mr Adam Mills, Senior Strategic Planning, City of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 32.

16 Mr Neil Savery, General Manager, Australian Building Codes Board, *Proof Committee Hansard*, 10 November 2014, p. 7. Also see The Hon John Thwaites, Chairman of the Australian Building Codes Board, *Submission 19*, pp. 8–9.

in the BCA in 2010. Under the revised requirements, new standard residential buildings must meet a 6-star energy efficiency rating (with a minimum of 5 and an average of 6 stars for multi-residential), instead of the previous 5-star rating. In his submission, the Chairman of the ABCB conceded that the higher standard might add 'a small amount to the initial construction cost of dwellings', but maintained that 'over the life of the building significant savings are returned to householders by increasing efficiency standards through lower energy costs resulting in a net benefit to the householder'. This was particularly true, the Chairman wrote, in light of increasing energy prices in recent years.¹⁷

8.20 AHURI pointed to research showing that after a few years of occupancy, the energy efficiency savings resulting from the higher star rating requirement outweighed the higher build costs. 'In other words', AHURI wrote, '[6-star building] energy efficiency pays when compared with "business as usual" 5-star designs'.¹⁸ In its submission, WALGA also noted that improving the sustainability and energy efficiency of a home was an important factor in improving that home's ongoing affordability.¹⁹

8.21 Mr Ian Yates, Chief Executive of the Council on the Ageing (COTA), told the committee that for renters, particularly those on a tight income stream such as aged pensioners, a lack of energy efficiency could add significantly to affordability pressures.²⁰ Aged and Community Services Australia (ACSA) also pointed to the significance of energy efficiency in determining housing affordability for older people, including people wanting to age in their homes:

An enhanced focus on environmental sustainability will have a positive impact on housing running costs and affordability levels. The development of energy efficient homes for older people in Australia in particular will provide positive outcomes for all, the ongoing running costs of homes will be reduced and older people with fixed incomes will be able to remain in their homes at an affordable cost.²¹

8.22 ACSA recommended that the various energy efficiency programs currently administered at the state level (running in South Australia, New South Wales and Victoria at the time of ACSA's submission), be folded into a National Energy Saving Initiative. This initiative, ACSA suggested, 'could directly accommodate these [state] schemes in a nationally consistent framework and deliver economies of scale'.²²

17 The Hon John Thwaites, Chairman of the Australian Building Codes Board, *Submission 19*, pp. 9–10.

18 Australian Housing and Urban Research Institute, *Submission 93*, p. 28.

19 Western Australian Local Government Association, *Submission 37*, p. 12.

20 Mr Ian Yates, Chief Executive, Council on the Ageing, *Proof Committee Hansard*, 28 July 2014, p. 22

21 Aged and Community Services Australia, *Submission 111*, p. 6.

22 Aged and Community Services Australia, *Submission 111*, p. 6.

8.23 The Equality Rights Alliance also submitted that 'energy efficiency and household running costs need to be a central consideration in the provision of affordable housing'. Noting the barriers that prevent people on low incomes from investing in improved energy efficiency, and the inability of tenants to improve the energy efficiency of their homes, the Equality Rights Alliance endorsed the following recommendations made in a 2013 ACOSS report:

- Energy efficiency standards for rental properties, and landlord tax incentives for energy efficiency measures to improve energy efficiency of rental properties.
- Additional funding for targeted retrofits of the worst performing social housing where health, climate and hardship risks are greatest.²³

8.24 Mr Alan Pears AM noted that the HIA-CBA housing affordability indicator (a variation of the '30 per cent rule' applied to mortgage repayments), does not allow for reduced housing costs from improved energy efficiency. On this basis, Mr Pears suggested the indicator is simplistic and 'seriously distorts housing policy'. Mr Pears told the committee that the indicator was used by some in the building industry to argue against higher energy efficiency standards on grounds of affordability. The problem, Mr Pears argued, is that the indicator:

...ignores all other living costs. So, where the sustainability features of a home reduce ongoing living costs and enhance capacity to repay the mortgage and enhance resale value, their contribution to capacity to make repayments is ignored.²⁴

8.25 The HIA argued that energy efficiency regulations for new residential buildings, and in particular the 6-star energy efficiency standards under the BCA, were excessive:

Energy efficiency standards were first introduced in the BCA from 2003, with complementary requirements for some fixed services introduced in 2010. The standards have been increased twice in six years. Based on federal government research regarding the 2010 changes, the higher level stringency delivers a benefit/cost ratio of less than 1:1. Although analysis clearly demonstrated that the regulation imposed a net cost on the community, this additional cost was imposed on all new homes.²⁵

Housing that is accessible, adaptable and appropriate

8.26 A central theme in much of the evidence received by the committee is that meaningful housing affordability requires that housing is also accessible, adaptable and appropriate to occupant needs. Dr Wendy Stone told the committee that in addition to structural reforms to enable people to afford housing, greater attention

23 Equality Rights Alliance, *Submission 95*, p. 15.

24 Mr Alan Pears AM, *Submission 67*, pp. 1–2.

25 Housing Industry Association, *Submission 178*, pp. 12–13.

needed to be given to ensuring 'the housing that people have must be adequate in size for families, and also in nature for disabled and elderly people.'²⁶ Similarly, Dr Maree Petersen from the University of Queensland's Institute for Social Science Research stressed that 'affordable housing for older people has to be accessible as well, because that brings the security'.²⁷

8.27 COTA noted that it was often the case that 'the only affordable housing is not appropriate, either because of its design, or its geographic position and lack of proximity to necessary services'. With regard to older people, COTA wrote that in order for people to be able to age in place successfully, the house they live in needs to be appropriate to their changing needs. For this reason, COTA had been involved in developing the Liveable Housing Design Guidelines.²⁸ The nationally-endorsed Guidelines were developed by Liveable Housing Australia, a not-for-profit partnership between community and consumer groups, government and the residential building industry. The Guidelines are intended to ensure homes are safe and accessible for all occupants and better anticipate and respond to the changing needs and abilities of the people who live in the home.²⁹

8.28 Mr Yates told the committee that COTA was keen to see the Guidelines more widely adopted.³⁰ In its submission, COTA noted that while take-up of the standards had been slower than anticipated, at this stage COTA 'does not support making the standards mandatory but believes there need to be more initiatives developed to encourage their adoption by both consumers and the building industry'.³¹

8.29 The Residential Development Council (RDC), part of the Property Council of Australia, also recommended that the government work with industry members to encourage adoption of the Guidelines, and to support industry with training and education to this end. The RDC also suggested the government require that all new homes built using Commonwealth incentives were consistent with the Guidelines.³²

8.30 National Seniors Australia told the committee that its research indicated that 36 per cent of over-50s live in housing that does not have design features suitable for

26 Dr Wendy Stone, private capacity, *Proof Committee Hansard*, 9 September 2014, p. 18.

27 Dr Maree Petersen, Postdoctoral Research Fellow, Institute for Social Science Research, University of Queensland, *Proof Committee Hansard*, 10 September 2014, p. 14.

28 COTA Australia, *Submission 191*, p. 6.

29 Liveable Housing Australia, 'About the Guidelines', <http://www.livablehousingaustralia.org.au/86/about-the-guidelines.aspx>.

30 Mr Ian Yates, Chief Executive, Council on the Ageing, *Proof Committee Hansard*, 28 July 2014, p. 22.

31 COTA Australia, *Submission 191*, p. 6.

32 Residential Development Council, Property Council of Australia, *Submission 212*, p. 14.

ageing.³³ National Seniors Australia told the committee that the Liveable Housing Guidelines were potentially effective in improving housing accessibility, but:

...legislative impediments exist at local council and state levels. It would be great to see them in the building codes or, to some extent, if builders or architects could be educated on how they could nicely be put into a home at a good cost and the benefits of doing that for the landlords of those homes through private rentals. They would be accessible to so many different people, and obviously a long-term tenancy as well could help that.³⁴

8.31 RI Australia and the Australian Network for Universal Housing Design expressed concern regarding the 'questionable' commitment of the housing industry to the Guidelines. They recommended that if the targets set by Liveable Housing Australia were not met, then the minimum access requirements should be incorporated into the NCC/BCA for all new and extensively modified housing.³⁵ The Disability Advocacy Network Australia, Ethnic Disability Alliance and Australian Federation of Disability Organisations also questioned how effective voluntary measures were, and suggested that until 'stronger measures are taken, many people with disabilities will find their needs unmet by the property market and housing stocks'. These organisations also recommended incorporation of the Guidelines into the BCA.³⁶

8.32 ACSA called a National Older Persons Housing Strategy that would 'focus on enabling older people to make housing adjustments and choices that enhance ageing in place, wellbeing and lifestyle'. In addition to increasing the supply of affordable rental housing and addressing the changing support needs of older tenants, ACSA submitted that a National Older Persons Housing Strategy would promote the development of adaptable housing, including a change to building standards, and provide for the expansion of home maintenance and modification programs.³⁷

Committee view

8.33 The committee welcomes steps taken to improve access, awareness and understanding of the NCC, and notes advice from the ABCB that these steps will help improve compliance and reduce construction costs.

8.34 The committee also notes evidence suggesting new, innovative building materials and construction methods have considerable potential to bring construction costs down and improve housing affordability. In particular, the committee notes the

33 Ms Marie Skinner, Senior Policy Adviser, National Seniors Australia, *Proof Committee Hansard*, 10 September 2014, p. 9.

34 Mrs Kylie Ullman, Policy Adviser, National Seniors Australia, *Proof Committee Hansard*, 10 September 2014, p. 14.

35 RI Australia and Australian Network for Universal Housing Design, *Submission 221*, p. 14.

36 Disability Advocacy Network Australia, National Ethnic Disability Alliance and Australian Federation of Disability Organisations, *Submission 202*, pp. 9–10, 18.

37 Aged and Community Services Australia, *Submission 111*, p. 4.

potential of modular, pre-fabricated housing, which can be delivered in less time and at lower cost than conventional housing, and may also have sustainability benefits. Modular and prefabricated housing is a core part of an emerging new sector in the Australian building industry, and could potentially stimulate the development of a high-skilled and cross-sectoral 'home grown' supply chain from forest to factory.

8.35 The committee encourages the Australian Government to engage with the building industry to ensure regulatory frameworks are conducive to the use of such materials and construction methods. The committee further believes that the issue of pre-fabricated housing deserves greater attention, and to this end recommends a separate parliamentary inquiry into the role of the prefabricated housing industry.

8.36 The committee acknowledges the importance of energy efficiency as an indirect housing cost. It notes that some progress has been made in recent years in ensuring new housing stock is more energy efficient.

8.37 Given the importance of ensuring housing is accessible, adaptable and appropriate to occupant needs, the committee is concerned by reports regarding the slow take-up of the Liveable Housing Guidelines. This is a matter that deserves close monitoring, and the committee would encourage the Australian Government to liaise with industry on how to ensure the wider adoption of the Guidelines.

Recommendation 12

8.38 The committee recommends a separate parliamentary inquiry into the Australian prefabricated housing industry, and its potential role in improving housing affordability and stimulating new activity in the manufacturing sector. This inquiry should consider, among other things:

- (a) the development of a comprehensive approach to creating a sustainable prefabricated building and insulated panel production industry;**
- (b) the possibility of Commonwealth prefabricated housing targets in a national affordable housing plan (see recommendation 4);**
- (c) the possibility of a Commonwealth prefabricated modular housing industry package to provide support for research and development, skills and training, assistance to establish new production and manufacturing facilities, and world class demonstration projects.**

Chapter 9

Commonwealth taxation settings

9.1 A major focus of this inquiry was the relationship between Commonwealth taxation settings and housing affordability.

9.2 Investors in real estate, like investors in other asset classes, are able to deduct losses from their investment, including interest paid on borrowings, against other assessable personal income. This arrangement is commonly known as 'negative gearing'. Again, like investors in other asset classes, property investors are also generally able to claim a 50 per cent discount on any realised capital gain on an investment property, so long as that property has been held for more than 12 months.

9.3 This chapter examines the various arguments made by witnesses regarding the effect on housing affordability of negative gearing arrangements and the capital gains tax (CGT) discount, or indeed the two taken together. Broadly speaking, critics of negative gearing and the CGT discount told the committee that current settings distorted demand and had an inflationary impact on purchase affordability. In contrast, other witnesses contended that the existing tax treatment of investor housing was consistent with the tax treatment of other asset classes, and moreover served to stimulate housing supply and contain rental prices. After canvassing these different arguments, this chapter outlines options for reform that might be investigated by the government.

9.4 Although not attracting as much attention as the tax treatment of the investor housing, some submitters focused on the exemption of owner-occupied housing from CGT. The CGT exemption, these witnesses argued, encouraged Australians to 'overinvest' in their housing, placing further upward pressure on prices, thus favouring existing home owners at the expense of would-be first home buyers. This chapter considers these arguments.

The tax treatment of investor housing

Understanding negative gearing and the CGT discount

9.5 In Australian tax law, investors have a right to offset non-capital losses from an income producing asset against their personal income, and can thereby reduce the overall amount of personal income tax payable. 'Negative gearing' is commonly taken to refer to the ability of landlords to deduct losses from mortgage-financed rental property, including interest paid on borrowings to acquire the property, from their

overall assessable income (including labour income).¹ It is important to note, however, that other assets, such as shares, are subject to the same tax treatment. The ability to negatively gear a residential investment property is not, in other words, a housing-specific exception to or departure from the broader Australian tax law, even if it is often perceived as such.

9.6 Of course, even for income earners in the higher marginal tax brackets, discounted losses are still losses. However, property investors generally pursue a negative gearing strategy in the expectation that a property's capital appreciation will more than make up for the losses they incur from holding the property. While capital gains are subject to taxation (except for gains on assets acquired prior to the introduction of CGT in September 1985), this tax is only payable when a capital gain is realised—for instance, when an asset, such as an investment property, is sold. And whereas capital gains are taxed at the same rate as a taxpayer's other income, a CGT discount, which reduces the taxable gain by 50 per cent, applies for an asset held for more than 12 months. In this sense, an investor may pursue a negative gearing strategy with a view to not only deferring their tax liability, but indeed permanently reducing it by, in effect, converting income gains into discounted capital gains.

9.7 Prior to 1999, capital gains were adjusted for inflation then taxed at the taxpayer's full marginal rate. Since 1999, CGT has been levied on nominal capital gains, with individuals and trusts (but not companies) eligible for the aforementioned 50 per cent discount.² The changes to the CGT reforms, according to the 1999 Review of Business Taxation ('the Ralph Report') in which they were proposed, were intended to 'increase the international competitiveness of Australian business and to encourage greater investment by Australians'.³

9.8 According to Mr Eslake, whatever the original intent the combined effect of the 1999 CGT changes and already extant negative gearing arrangements has been to create a vehicle for permanently reducing, rather than simply deferring, personal income tax liability.⁴

1 As the ATO puts it, a 'rental property is negatively geared if it is purchased with the assistance of borrowed funds and the net rental income, after deducting other expenses, is less than the interest on borrowings'. ATO, 'Expenses you can deduct in the income year incurred', <https://www.ato.gov.au/General/Property/Residential-rental-properties/Expenses-you-can-claim/Expenses-you-can-deduct-in-the-income-year-incurred/>. 'Negative gearing' is taken in this chapter to refer to when taxpayers use losses from a negatively geared asset to reduce their overall assessable income.

2 For assets acquired before the new arrangements were introduced in September 1999, investors can calculate their capital gains liability using either the old indexation method or the current CGT discount method.

3 Review of Business Taxation, John Ralph AO (Chair), *A Tax System Redesigned: More Certain, Equitable and Durable* (Canberra 1999), p. 14.

4 Mr Saul Eslake, *Submission 2*, p. 10.

9.9 Other witnesses also drew the committee's attention to the asymmetric treatment of expenses and capital gains for housing investors, and the incentive this creates to invest in housing as a means of minimising tax liability. As ACOSS explained:

While deductions for investment expenses are a well-established and legitimate feature of the income tax system, deductions for 'negatively geared' investments in assets that yield capital gains (including property, shares and collectables) are not properly matched (in timing or in value) with the related income stream. Taxpayers receive immediate deductions at their current marginal tax rate against future income that mainly takes the form of capital gains.⁵

9.10 Mr Eslake suggested that the increase in landlords claiming losses since 1999 underlined the growth in popularity of negative gearing as a tax strategy since the abovementioned changes to the CGT regime:

In 1998–99, when capital gains were last taxed at the same rate as other types of income (less an allowance for inflation), Australia had 1.3 million tax-paying landlords who in total made a taxable profit of almost \$700 [million]. By 2010–11, the latest year for which statistics are presently available, the number of tax-paying landlords had risen to over 1.8 [million] (or 14% of the total number of individual taxpayers), but they collectively lost more than \$7.8 [billion], largely because the amount they paid out in interest rose more than fourfold (from just over \$5 [billion] to almost \$23 [billion] over this period), while the amount they collected in rent 'only' slightly less than trebled (from \$11 [billion] to \$30 [billion]), as did other (non-interest) expenses.⁶

9.11 The Henry Review observed that around 70 per cent of property investors in 2006–07 were negatively geared, up from 58 per cent in 2001–02.⁷ AHURI also highlighted the popularity of negative gearing. In its submission, it pointed to figures from the ATO showing two-thirds of individuals deriving rent had a net rental loss from their property.⁸

5 Australian Council of Social Service, *Submission 108*, pp. 3–4. Also see City Futures Research Centre, UNSW, *Submission 152*, p. 11.

6 Mr Saul Eslake, *Submission 2*, p. 10. According to AHURI sponsored research, the 50 per cent CGT discount will not always result in a lower capital gains tax liability for property investors than the pre-1999 application of CGT on real capital gains. This research suggests if 'house prices appreciate at less than twice the rate of inflation investors have lower after-tax returns under current than pre-1999 capital gains tax arrangements. While many if not most landlords will end up paying more capital gains tax under current arrangements, the real issue for many is the failure to tax real rather than nominal gains.' Gavin Wood, Rachel Ong and Clinton McMurray, 'The impacts of the Henry Review recommendations on the private rental market: Savings income discount and rent assistance,' *AHURI Final Report No. 175* (September 2011), pp. 3–4.

7 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 69–70.

8 Australian Housing and Urban Research Institute, *Submission 93*, p. 5.

9.12 Other AHURI sponsored research, however, has suggested that this figure may be significantly overstated for a range of reasons, and estimated that the proportion of residential landlords claiming rental losses might only be one-third.⁹ The Australia Institute, while concerned at the prevalence of negative gearing, conceded that in a low interest environment the proportion of landlords claiming overall losses had declined.¹⁰

The Henry Review and the tax treatment of investment housing

9.13 It is worth noting at this juncture that the Henry Review included recommendations directed toward providing for a more consistent tax treatment of gains and losses from savings. The review found that the inconsistent treatment of household savings led to significant arbitrage opportunities:

The different treatment of capital gains as against other savings income and related expenses is an important driver of these opportunities. This creates significant distortions in how rental properties, in particular, are financed and for the rental property market.¹¹

9.14 To this end, the review recommended applying a 40 per cent discount to most interest income, net residential rental property income, capital gains and certain interest expenses (recommendation 14). In addition to allowing for a 40 per cent discount on (among other things) rental income, this would also mean that only 40 per cent of interest (and other expenses) could be claimed as deductions, and the current 50 per cent capital gains discount would be reduced to a 40 per cent discount. The Henry Review explained how these changes were expected to impact investment in housing:

The current personal income tax system favourably treats capital gains and amplifies this benefit when investments are geared. By discounting net rental income at the same rate as capital gains, the tax treatment of investor housing will be less responsive to gearing levels and capital gains, creating a more neutral treatment of different forms of saving...

The proposed reforms would reduce the bias in favour of the capital gains generated in rental properties by treating it more neutrally compared to rental yield. Over the long term, this is likely to change investor demand toward housing with higher rental yields and longer investment horizons. This may also result in a more stable housing market, as the current incentive for investors to chase large capital gains in housing would be reduced.¹²

9 Gavin Wood, Rachel Ong and Clinton McMurray, 'The impacts of the Henry Review recommendations on the private rental market: Savings income discount and rent assistance,' *AHURI Final Report No. 175* (September 2011), pp. 15–16.

10 Ms Molly Johnson, Researcher, The Australia Institute, *Proof Committee Hansard*, 30 July 2014, p. 63.

11 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 70.

12 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 417–18.

9.15 As Professor Yates pointed out, the tax treatment of investor housing was recognised in the Henry Review as 'amongst the greatest tax-induced biases to the savings choices of households'.¹³ However, the Henry Review acknowledged that its recommended reforms could have an adverse short-term impact on the level of investment in housing in Australia. As such, it recommended that the reforms as they related to investor housing should only be implemented after the delivery of separate reforms relating to the supply of housing and the provision of housing assistance.¹⁴

9.16 Regardless, on release of the report the then government announced that it would not implement certain recommendations in the report 'at any stage', including recommendation 14. The government further announced that it would not consider reducing the CGT discount or applying a discount to negative gearing deductions.¹⁵

Negative gearing and purchase affordability

9.17 Using the 2010–11 losses declared, Mr Eslake estimated a cost to revenue from negative gearing of \$5 billion; this was, he contended, a 'pretty large subsidy from people who are working and saving to people who are borrowing and speculating'. More than that, he continued:

...it's hard to think of any worthwhile public policy purpose which is served by it. It certainly does nothing to increase the supply of housing, since the vast majority of landlords buy established properties: 92% of all borrowing by residential property investors over the past decade has been for the purchase of established dwellings, as against about 72% of all borrowing by owner-occupiers.

Precisely for that reason, the availability of 'negative gearing' contributes to upward pressure on the prices of established dwellings, and thus diminishes housing affordability for would-be home buyers.¹⁶

9.18 Making a similar point, ACOSS submitted that not only did the benefits of negative gearing skew heavily toward higher income earners, but that it served to inflate housing costs and fuel 'speculative booms in the housing market'. This, ACOSS suggested, was a function of the fact that 90 per cent of investment in negatively geared housing stock applies to existing properties.¹⁷

13 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6.

14 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), pp. 71, 418.

15 The Hon Wayne Swan MP, Deputy Prime Minister and Treasurer, and the Hon Kevin Rudd MP, Prime Minister, joint media release, 'Stronger, Fairer, Simpler: A Tax Plan for Our Future', 2 May 2010, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/028.htm&pageID=003&min=wms&Year>.

16 Mr Saul Eslake, *Submission 2*, p. 10.

17 Australian Council of Social Service, *Submission 108*, pp. 3–4.

9.19 Referring to the tax treatment of investor housing (and owner-occupied housing, as discussed later in this chapter), the CFRC also argued that tax settings such as negative gearing lowered the cost of housing for investors. This in turn reinforced:

...factors that add to housing demand and compound dwelling price pressures in the presence of supply inelasticities. Given their typically procyclical effect they enhance rather than counteract market volatility and can lead to lower rates of growth.¹⁸

9.20 Referring to the interaction between negative gearing and CGT arrangements, the Executive Officer of National Shelter, Mr Adrian Pisarski, told the committee that these tax arrangements served to inflate demand in a system with inadequate supply. In this sense, the current taxation treatment of investor housing reinforced the barriers to market entry for would-be homebuyers:

We have a well-documented undersupply of housing overall and an even larger documented undersupply of affordable housing. Lots of people want to get into home ownership in Australia but cannot afford to, and they are being out-competed by people who have a pocketful of tax incentives. You cannot create a properly effective, equal, free market if you distort it in such ways. We have these massive distortions that really advantage investors over people who want to purchase to occupy a property.¹⁹

9.21 Likewise, the Australia Institute argued that the taxation treatment of investor housing favoured property investors at the direct expense of people looking to purchase their first home:

High income households are particularly favoured as they have the financial capacity to purchase property and a larger taxable income to deduct losses from. Through providing such generous tax benefits government policy has increased the demand for investment housing. First home owners, who often have less financial capacity, must now compete against investors for properties. These tax concessions are inequitable and further reinforce the intergenerational and income gap between home owners and first home buyers or renters.²⁰

9.22 Other witnesses, including NT Shelter, Uniting Communities, Tenants Union of Victoria and Youth Action NSW also argued that the current taxation treatment of

18 City Futures Research Centre, UNSW, *Submission 152*, p. 5.

19 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 34.

20 The Australia Institute, *Submission 92*, p. 8. Also see Mr David Baker, Director of Research, The Australia Institute, *Proof Committee Hansard*, 30 July 2014, p. 62.

investor housing created speculative demand, forcing prices higher and making it more difficult for first home buyers to buy a home at a price they could afford.²¹

9.23 In contrast, the REIA told the committee that it was a strong proponent of negative gearing because it adds to housing supply. Given negative gearing stimulated housing supply, the REIA argued, it was questionable whether it did, in fact, add to the cost of housing.²² The HIA made a similar argument, writing that negative gearing was being blamed for distortions in the housing market that were in fact caused by supply constraints:

Under current policy settings as they apply to Australia's housing industry, there are a number of distortions to the housing market which are causing an undersupply of housing and placing an undue upward pressure on rents. Negative gearing does not fall into this category.

Independent economic modelling commissioned by HIA finds that reducing negative gearing concessions in the current housing policy environment would exacerbate existing distortions and reduce housing affordability.²³

9.24 Treasury was asked by the committee to comment on a just-released Moody's report suggesting the existence of negative gearing adds about 9 per cent, or \$44,000, to the cost of an average home in markets with high incomes. Mr Rob Heferen, Executive Director of Treasury's Revenue Group, indicated that he was not yet familiar with the report. Nonetheless, Mr Heferen explained why such findings needed to be treated with a degree of caution:

[O]ften when these exercises are done they are done in an 'all other things being equal' kind of scenario. You limit interest deductions on investor properties to rental income. The negative gearing that comes from those interest deductions can be used to offset against other income. So, if you limit it to rental income, what is the change in the return that the investor gets and then taking that away? Often what those sorts of exercises do not do—and it is no surprise they do not do it, because it is extraordinarily complex—is to work out, if that money goes away, where it will then be invested and what is then the effect on the macro-economy. So that feedback loop that goes into more of a general equilibrium kind of thinking is something that is extraordinarily difficult. Often when it is small amounts of money it is largely irrelevant, but I suspect that, once it gets up into several billions of dollars, that is the kind of time when those secondary effects or the feedback effects become more important. That kind of modelling capacity is very unusual. It is quite rare. Certainly we in the

21 NT Shelter, *Submission 118*, p. 5; Mr Simon Scrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 32; Mr Mark O'Brien, Chief Executive Officer, Tenants Union of Victoria, *Proof Committee Hansard*, 9 September 2014, p. 48; Youth Action NSW, *Submission 51*, pp. 58–68.

22 Mr Jock Kreital, Manager, Policy, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 75.

23 Housing Industry Association, *Submission 178*, p. 8.

Treasury attempt to get and maintain some expertise in that, but it also becomes very assumption driven. If the return is not there for an investor, where would they put that dollar?²⁴

Negative gearing and rental affordability

9.25 In 1985, the Australian Government enacted legislation that 'quarantined' losses made from owning rental properties, so that losses from rental properties could only be deducted from rental income. In contrast to the arrangements which prevail today, during the quarantine period these losses could not be used to reduce tax on other sources of assessable income. Losses could, however, be carried forward to offset future rental profits and capital gains from the sale of such investments. The changes only applied to real estate purchased after 17 July 1985.

9.26 In 1987, the decision to quarantine negative gearing was reversed (with effect from 1 July 1987). The decision was ostensibly made for two reasons. First, ending the quarantine would result in uniformity of tax treatment of interest costs for all types of investment. Second, the government concluded the tax benefit to high income earners offered by negative gearing was adequately countered by other tax reform measures introduced subsequent to the enactment of the quarantine, notably the introduction of the CGT regime in September 1985.²⁵ However, some students of the decision have suggested it was, in the main, a response to political pressure. This pressure, they argue, came from a housing industry that argued (rightly or wrongly) that the quarantine had driven up rents as landlords were forced to pass the cost of the higher tax burden on to their tenants.²⁶

9.27 The committee heard a variety of views regarding the impact of negative gearing on rents, and various interpretations of the effects of the quarantine. As noted above, the REIA argued that negative gearing added to housing supply, including the supply of rental accommodation. It contended that changing negative gearing rules, including along the lines suggested by the Henry Review, would place added pressure on supply in an already tight market. Implementing the Henry Review recommendations, the REIA calculated, would add 2 per cent to the rental cost of a median three bedroom house. The REIA also highlighted the 1980s quarantine as proof of the risks associated with any move to limit the application of negative gearing for investment property. According to the REIA, in the two years the quarantine was

24 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 21.

25 Jim O'Donnell, 'Quarantining Interest Deductions for Negatively Geared Rental Property Investments', *eJournal of Tax Research* 3, no. 1 (2005), p. 70.

26 Pasqualina Callea, 'Negative Gearing: should we move towards the United Kingdom system?' *ConTax Newsletter* (September 2012), p. 8, http://www.taxinstitute.com.au/files/dmfile/Feature_Article_Negative_Gearing_ConTax_Sept20121.pdf.

in place, rents increased by 57.5 per cent in Sydney, 38.2 per cent in Perth and 32 per cent in Brisbane.²⁷

9.28 In contrast, AHURI suggested that on the whole the recommendations of the Henry Review would improve rental affordability. This, it suggested, was because while the after-tax economic costs for negatively geared investors would increase, the costs for equity investors would decline. These lower costs would flow through:

...into long term average annual rents, which would fall by just over \$300 per year (Wood 2011). This would have a mixed effect on investors' willingness to retain investments: unleveraged and equity oriented investors would likely be more inclined to retain investments under the reforms while negatively geared investors would be more likely to realise their investments. Because these supply responses would offset each other, a 'flight of investors' from private rental housing seems unlikely.²⁸

9.29 Mr Eslake also disputed the idea that the abolition of negative gearing would force up rents. The alleged 'landlords strike' of the mid-1980s, he argued, was based on an erroneous reading of history: rents had only risen rapidly in two markets, Sydney and Perth, because both cities had unusually low rental vacancy rates at the time. Yet in other capital cities, where vacancy rates were higher, growth in rents were either unchanged or, in the case of Melbourne, actually slowed. Mr Eslake continued that notwithstanding this history, if a large number of landlords were to sell their properties in response to the abolition of 'negative gearing', this would not necessarily be a bad thing for renters:

That would push down the prices of investment properties, making them more affordable to would-be home buyers, allowing more of them to become home-owners, and thereby reducing the demand for rental properties in almost exactly the same proportion as the reduction in the supply of them. It's actually quite difficult to think of anything that would do more to improve affordability conditions for would-be homebuyers than the abolition of 'negative gearing'.

There's no evidence to support the assertion made by proponents of the continued existence of 'negative gearing' that it results in more rental housing being available than would be the case were it to be abolished...²⁹

9.30 In broad terms, Mr John Hawkins put forth a similar argument, challenging the notion that the abolition of existing negative gearing arrangements would result in a 'calamitous reduction in the supply of rental housing':

It has been claimed that after the restoration of negative gearing [in 1987] there was an increase in residential housing investment. But correlation does not prove causation. The stock market collapsed in late 1987 and it

27 Real Estate Institute of Australia, *Submission 88*, p. 12–13.

28 Australian Housing and Urban Research Institute, *Submission 93*, p. 6.

29 Mr Saul Eslake, *Submission 2*, p. 11.

was this more than the restoration of negative gearing that made property investment appear more attractive.

The common claim that, were concessional capital gains tax and negative gearing to be removed, investors would push up rents to ensure they receive an adequate return does not stack up. What is more likely is that the price of houses would fall until the rate of return on them is back to an adequate return (ie comparable in risk-adjusted terms to that on other investments).³⁰

9.31 Mr Pisarski of National Shelter, also felt that it was necessary to directly address what he regarded as misconceptions about the effects of the quarantine:

[The quarantine] happened to coincide with an increase in the share market at the time, and therefore capital moved from the sector of housing into the sector of shares, and negative-gearing changes that [Treasurer Paul] Keating introduced were blamed for that shift. It would have happened anyway. It was not to do with any negative-gearing changes, but a whole mythology has grown up that therefore negative gearing is a sacred cow and if you touch that we will suddenly have a collapse of the rental market. That is just not so. And if we did have people selling off lots of properties in the rental market because they no longer saw it as a good investment, then who would they sell them to? Presumably it would be to people who wanted to occupy them and live in them. Would that be a bad thing?³¹

9.32 Some witnesses not only took issue with the contention that negative gearing helped contain rents, but also contended that negative gearing actually served to distort the rental market in such a way as to undermine rental affordability. For example, the Tenants' Union of NSW suggested that negative gearing fuelled the speculative pursuit of capital gains by property investors, and made investors relatively indifferent to rental yield. The Tenants' Union of NSW further argued that this had on negative effect on the availability of *affordable* rental properties:

In particular, the amount of low-cost rental stock has declined, both relatively and, at the lowest end of the market, absolutely.

This is because landlords in pursuit of speculative gains tend to purchase existing stock with high prospects of capital gain, and high values – and hence high rents. When low-prospect, low-value, low-rent stock comes up for sale, speculator landlords tend to pass over it, and it drops out of the rental market—and such stock as remains becomes scarcer, and less cheap to rent.³²

9.33 Professor Beer made much the same point, telling the committee that one of the most damaging perverse outcomes of the current negative gearing regime was that it encouraged investors to seek capital gains over yield. In pursuit of capital gains,

30 Mr John Hawkins, *Submission 105*, p. 2.

31 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 36.

32 Equality Rights Alliance, *Submission 95*, p. 8.

investors overinvested in high-end property, and underinvested in low-end rental property 'where there is the greatest need'. The flip-side of the same dynamic was that investors tended to underinvest in smaller or depressed markets where the capital gains appeared less reliable.³³

9.34 Other witnesses argued that because negative gearing privileges capital gains over yield, it had the unintended consequence of discouraging institutional investment in the housing system. This is because unlike individual (or 'mum and dad') investors, institutional investors require steady, reliable yields to justify debt financing. For instance, ACOSS submitted that the current tax treatment of investor housing:

...skews investment in housing towards individual investors (rather than institutions) and towards investments yielding capital gains (rather than a stable rental income stream).³⁴

9.35 Similarly, Mr Cameron Murray also suggested that negative gearing:

...incentivises private rental housing provision by wage earners with high marginal tax rates, to the exclusion of institutional investors who successfully provide large shares of rental housing stock in much of Central Europe.³⁵

9.36 Other submitters, including the Equality Rights Alliance and Youth Action NSW, also disputed the claim that negative gearing arrangements helped to contain rental prices.³⁶ Some witnesses, such as United Communities and Tenants Union of Victoria, suggested that negative gearing and the CGT discount actually worked to push rental prices higher, with the increased cost of home ownership flowing through to increased competition (and thus prices) for rental accommodation.³⁷

9.37 Rather than underpinning the steady and affordable provision of rental accommodation supply, AHURI pointed to research suggesting negative gearing added to volatility in the rental market:

Modelling by AHURI suggests that one-in-four property investments are withdrawn from the rental market within 12 months (Wood 2010). Thus tenants of approximately one quarter of all rental properties occupy insecure accommodation. Low-income, and negatively geared property investors, are more likely to make early exits from the rental housing market: in one year, 50 per cent of negatively geared investors in the study

33 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 19.

34 Australian Council of Social Service, *Submission 108*, pp. 3–4.

35 Mr Cameron Murray, *Submission 17*, p. 3.

36 Equality Rights Alliance, *Submission 95*, p. 8; Youth Action NSW, *Submission 51*, pp. 69–70.

37 Mr Simon Scrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 30; Mr Mark O'Brien, Chief Executive Officer, Tenants Union of Victoria, *Proof Committee Hansard*, 9 September 2014, p. 48.

sample sold the property, by comparison with 20 per cent of all investors (Wood 2010). Negatively geared investors also appear to move in and out of property investments, in a 5 year period 13 per cent had repeat spells in home ownership (Wood 2010).³⁸

9.38 When asked by the committee about the relationship between negative gearing and rental affordability, Treasury was somewhat equivocal in its response: Mr Heferen told the committee that while he assumed the removal of negative gearing would lead to rental increases, it remained a matter of conjecture as to whether this is what had happened in the mid-1980s.³⁹

Should negative gearing serve housing policy?

9.39 According to the Association of Superannuation Funds of Australia (ASFA), the policy rationale of negative gearing is to encourage investment in those assets it applies to:

With respect to residential property, a deduction is only available to the extent that the property is made available for rent, reflecting the policy rationale to increase the stock of available rental property.⁴⁰

9.40 The question of how well negative gearing serves this purpose, and whether the taxation treatment of investor housing should be designed to support housing supply and affordability more broadly, was a key focus of many critics of negative gearing during this inquiry. For instance, Anglicare Australia argued that while the tax settings for investor housing may have once played a role in encouraging investment in the housing market, these settings:

...no longer serve a purpose for the common good but rather serve to benefit a select group. The negative gearing and capital gains tax mechanisms need to be put back on the table, have their utility assessed and then reformed as necessary to support the supply of new housing or affordable housing to those most in need.⁴¹

9.41 Mr Pisarski of National Shelter also told the committee that while he did not necessarily think negative gearing or CGT discounts should be abolished altogether, 'if we are going to provide these tax incentives we ought to get a public good out the other side'.⁴² ACOSS also approached the issue of negative gearing by suggesting the Commonwealth was 'spending' \$8 billion every year on investor housing tax

38 Australian Housing and Urban Research Institute, *Submission 93*, p. 6.

39 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 22.

40 The Association of Superannuation Funds of Australia, *Submission 130*, p. 2.

41 Anglicare Australia, *Submission 159*, p. 4.

42 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, pp. 36–37.

concessions, with half of that amount 'going to expenditure on negative gearing'. Ms Jacqueline Phillips, ACOSS Director of Policy, told the committee:

I think it is really important that we as a community ask ourselves what we are getting for that money. We are not getting any new affordable housing stock. We know that 92 per cent of investment in negatively geared properties is in existing stock. We are not getting affordable rental properties.⁴³

9.42 Drawing out the link of its characterisation of negative gearing as a tax expenditure on housing, ACOSS suggested that savings from the grandfathering of negative gearing (a recommendation discussed below) should be directed in part toward investment in affordable housing programs.⁴⁴

9.43 AHURI, meanwhile, noted research indicating that the beneficiaries of tax expenditures on investor housing (and, as discussed later in this chapter, owner-occupied housing) were disproportionately high income earners and people over 45 years old.⁴⁵

9.44 The RDC, however, noted that ATO statistics suggested that 72.3 per cent of all loss-making properties in 2010–11 were owned by individuals on an annual income below \$80,000. Indeed, the RDC argued that negative gearing had 'created a positive relationship of mutual dependence between low and middle income Australians'. According to the RDC, the majority of negative gearing benefits flowed to middle-income Australia, which in turn provided a 'steady supply of essential, affordable housing for low income families'.⁴⁶

9.45 Characterising negative gearing as it applies to residential investment property as a 'tax expenditure' is problematic. The government's *Tax Expenditures Statement 2014* explains that tax expenditures arise:

...where the actual tax treatment of an activity or class of taxpayer differs from the benchmark tax treatment.

Tax expenditures typically involve tax exemptions, deductions or offsets, concessional tax rates and deferrals of tax liability.⁴⁷

9.46 What is and is not considered a 'tax expenditure' by the government depends on how the benchmark is specified. According to the Treasury, a 'benchmark should

43 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 29.

44 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 29.

45 Australian Housing and Urban Research Institute, *Submission 93*, pp. 4–5.

46 Residential Development Council, Property Council of Australia, *Submission 212*, p. 13.

47 The Treasury, *Tax Expenditures Statement 2014* (January 2015), p. 3, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/TES-2014>.

represent the standard tax treatment that applies to similar taxpayers or types of activity'. However, it may also 'incorporate certain elements of the tax system which depart from a uniform treatment of taxpayers where these are fundamental structural elements of the tax system'. As could be inferred from this explanation, determining the benchmark is not always clear cut and does involve, in Treasury's words, 'an element of judgement'.⁴⁸

9.47 The ability to deduct expenses incurred in earning income is considered a structural feature of the tax system. In this sense, negative gearing on investment property—and indeed other assets—is not regarded as a departure from the benchmark taxation treatment. As such, negative gearing is not included in the annual *Tax Expenditures Statement* released by the government. (However, the 50 per cent discount on CGT for assets held longer than 12 months, including investment properties, is regarded as a tax expenditure.)

9.48 Because Treasury treats losses on negatively geared property as regular deductions, rather than tax expenditures, it was unable to quantify the cost to revenue.⁴⁹ It might also be noted that even if Treasury's non-recognition of negative gearing as a tax expenditure were set aside, the use of 'revenue forgone' methods of estimating the value of investor housing-related negative gearing may not properly represent the cost to the Budget. This is because taxpayers would almost certainly adjust their behaviour if negative gearing on investor housing were not allowed. As the *Tax Expenditures Statement* explains, 'Introducing a tax expenditure may create incentives for taxpayers to change their behaviour to utilise (or avoid) the new tax provision. Removing the tax expenditure (so that the benchmark tax treatment prevailed) would remove this incentive and may cause a corresponding change in taxpayer behaviour.' Such behavioural changes could mean taxpayers seek to make use of other tax expenditures, meaning actual revenue gain might be considerably lower than simple 'revenue forgone' estimates would suggest.⁵⁰

9.49 Putting aside the definitional issues, and the exact cost to revenue of investor housing-related negative gearing, several witnesses took issue with the idea that negative gearing constituted a 'loophole' or departure from the broader taxation system. These submitters argued that any change to the ability of property investors to claim losses on an investment property against income (whether earned against that property or otherwise) would amount to a distortionary departure from Australia's established taxation framework. For instance, the REIA argued that amendments to negative gearing provisions for housing would amount to:

48 The Treasury, *Tax Expenditures Statement 2014* (January 2015), p. 129, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/TES-2014>.

49 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 21.

50 On the difference between the 'revenue forgone' and 'revenue gain' approaches to calculating tax expenditures, see Treasury, *Tax Expenditures Statement 2014* (January 2015), pp. 4–5, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/TES-2014>.

...treating real estate differently to other asset classes and create a distortion on the investment landscape and result in a resource misallocation.⁵¹

9.50 Dr Harley Dale, the Chief Economist of the HIA, made a similar point, arguing that the HIA's modelling of the impact of removing or restricting negative gearing provisions as they applied to investor housing was based on the fact that negative gearing applies to many asset classes, not just residential property. As such, the HIA believed that removing or restricting negative gearing provisions as they applied to housing would have two damaging effects:

The first is that you would get a decline in Australian living standards, because you would be placing an additional tax distortion on what is already the second most highly taxed sector of the Australian economy. Second, you would be providing a disincentive to invest, so you would see a decline in rental property and an increase in rental prices.⁵²

9.51 The HIA was keen to draw attention to what it regarded as the popular misconception that negative gearing is a housing-specific tax arrangement:

The ability to offset investment expenses against income in establishing gross taxable earnings is a key tenet of the Australian tax system. Beyond the sphere of residential property the appropriateness of this fundamental feature of Australia's tax system is rarely questioned. However, it is a highly contentious issue with respect to residential property, particularly with regard to a focus on possible influences it has on the purchasing behaviour of investors and owner occupiers.⁵³

9.52 Similarly, Mr Rob Johnson contended that it was incorrect to argue that negative gearing had undermined the equity and integrity of the income tax system, or that the tax laws gave specific preference to property investment. There were, he argued, 'no loopholes, no rorts, no special provisions—there are simply no advantages given to investment in property under the tax laws'.⁵⁴

9.53 Although some submitters suggested that the policy rationale of existing negative gearing arrangements as they applied to housing *was* to stimulate housing supply (as distinct from suggesting that these arrangements *should* be designed to do so), Treasury explained that this was not strictly correct. Rather, negative gearing as it applied to housing investment was no different to how it applied to other asset classes; in this sense, Treasury explained, it would be misleading to suggest that the 'policy justification' of negative gearing was to increase housing supply:

51 Real Estate Institute of Australia, *Submission 88*, p. 13.

52 Dr Harley Dale, Chief Economist, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 51.

53 Housing Industry Association, *Submission 178*, p. 8.

54 Mr Rob Johnson, *Submission 155*, p. 3.

In one sense there is no policy justification for negative gearing. From a tax point of view we have two sorts of income, if you like: we have 'income' income and then we have capital gains. So capital losses can be only quarantined to use against capital gains.

[...]

But on income that is not capital gains income, basically all costs are deductible against all income. So it is not as if there is an explicit decision to say, 'Yes, there will be a decision to allow people to deduct interest costs from, say, salary and wage income or other business income.' That does not really occur. It is a question of what is allowed. Then the policy intervention is: 'Okay; that is what the law allows; should the law be changed to deny people the capacity to claim that deduction?'⁵⁵

Negative gearing: recommendations for change

9.54 Some witnesses advocated limiting the application of negative gearing provisions with a view to stimulating the supply of new housing stock. For instance, the Australia Institute told the committee that despite its aforementioned concerns about the impact of negative gearing on housing affordability, it was:

...not proposing that we take out negative gearing. Negative gearing is a policy that works for families, in the way that companies are able to write off tax against profit losses as well. There is an advantage for people as well. But the opportunity exists for the negative-gearing policy to be a tool in addressing the issue of housing affordability. Targeting the application of negative gearing rather than saying, across the board, 'Any property is open to negative gearing,' would be one way of maximising the benefit of the resources that the government provides through the concessions of negative gearing.⁵⁶

9.55 Baptist Care Australia made a similar recommendation, suggesting that negative gearing might be limited so that it only applied to the construction of new homes or for investment in social housing (including Defence Housing).⁵⁷ Meanwhile, Mr Borrowman, Associate Professor Frost and Dr Kazakevitch, in a joint submission, recommended that negative gearing be restricted to new housing stock for a limited period of time, 'to provide incentives for investment in new housing, which may be riskier than other forms of housing investment'.⁵⁸ The Victorian Public Tenants Association and the Equality Rights Alliance also provided submissions

55 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 22.

56 Mr David Baker, Director of Research, The Australia Institute, *Proof Committee Hansard*, 30 July 2014, p. 62.

57 Baptist Care Australia, *Submission 134*, p. 15.

58 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, p. 8.

recommending that negative gearing only be allowed for new housing (with both suggesting that current arrangements might be grandfathered).⁵⁹

9.56 AHL Investments Pty Ltd (the 'Aussie' financial group) recommended the introduction of limits on the number of properties that could be negative geared or a ceiling on the amount of losses deductible in any given year. This approach, it argued, would 'limit exploitative use of these concessions (such as individuals claiming deductions on high-value or multiple properties), rather than target those diversifying savings for retirement'.⁶⁰

9.57 For its part, ACOSS recommended that deductions of expenses for all 'passive investments'—by which it meant 'housing, shares, collectibles and similar assets'—should be 'quarantined to offset income received from those assets, including capital gains realised on their subsequent sale'. ACOSS recommended that the current taxation arrangements be grandfathered for existing investments, so that the effect on housing investment would be gradual.⁶¹ This change, ACOSS suggested, would constitute a 'first step to improving housing market outcomes and reducing the fiscal and social cost of this tax break'. Further, ACOSS recommended that half the revenue saved from this change should be 'earmarked for the introduction of an Affordable Housing Growth Fund and [the] proposed expansion of NRAS to promote fresh investment in affordable housing'.⁶²

9.58 Mr Eslake stressed that his preference was not that negative gearing only be abolished for property investors, but that it be abolished for *all* investors. Thus, interest expenses:

...would only be deductible in any given year up to the amount of investment income earned in that year, with any excess 'carried forward' against the ultimate capital gains tax liability, rather than used to reduce the tax payable on wage and salary or other income (as is the case in the United States and most other 'advanced' economies).⁶³

9.59 Mr Eslake continued that, as a second-best option, the government should implement the recommendations of the Henry Review bearing on the taxation of investments (as outlined earlier in this chapter). Mr Eslake noted that implementing these recommendations:

...would not amount to the abolition of 'negative gearing'; it would just make it less generous than it is at the moment. It would be likely, as the

59 The Victorian Public Tenants Association, *Submission 40*, p. 2; Equality Rights Alliance, *Submission 95*, p. 8.

60 AHL Investments Pty Ltd (Aussie), *Submission 186*, pp. 2–3.

61 To be precise, ACOSS's submission, made in March 2014 with a view to the 2014–15 Budget, suggested the change only apply to investments made after 1 January 2015.

62 Australian Council of Social Service, *Submission 108*, pp. 3–4.

63 Mr Saul Eslake, *Submission 2*, p. 13.

Henry Review suggested, 'to change investor demand toward housing with higher rental yields and longer investment horizons [and] may result in a more stable housing market, as the current incentive for investors to chase large capital gains in housing would be reduced'.⁶⁴

9.60 Existing arrangements, Mr Eslake 'grudgingly' accepted, might need to be grandfathered so as not to directly disadvantage current housing investors.⁶⁵

9.61 The Tenant's Union of NSW floated a range of possible approaches to reforming negative gearing and CGT arrangements for investor housing. These included requiring that losses incurred from owning an asset could only be set against income from that asset class. Drawing on the recommendations of the Henry Review, the Tenants' Union of NSW suggested an alternative approach might be to make income from a (non-business) asset subject to a tax discount, 'reducing (but not eliminating) the deductibility of losses against other sources of income and the preferential treatment of speculative gains'. Yet another approach, it suggested, might be to only allow negative gearing arrangements for new housing stock. The common thread uniting these recommendations was the need, according to the Tenants' Union of NSW, to restrain speculation in the housing market:

This means resetting the tax settings that give preferential treatment to owner-occupied housing, and that encourage people to lever up and speculate as landlords.⁶⁶

Taxation of investment housing capital gains: recommendations for change

9.62 Focusing specifically on the 50 per cent discount on CGT, Professor Wilkins suggested the pre-1999 system of adjusting CGT payable for inflation was preferable to the current discount on CGT liabilities. The previous regime, he argued was 'very sensible' and not too administratively complex, and allowed for a more neutral treatment of capital gains.⁶⁷

9.63 Mr Cameron Murray also turned his attention to the CGT discount, recommending that it be abolished altogether for residential property, or at least limited so that it only applied to property held for more than ten years. He wrote:

The CGT discount encourages speculative investment in residential property and merely amplifies the housing cycle. A much longer qualifying period, or the removing of the CGT discount from residential property

64 Mr Saul Eslake, *Submission 2*, p. 13.

65 Mr Saul Eslake, *Submission 2*, p. 13.

66 Tenants' Union of NSW, *Submission 120*, pp. 12–13.

67 Associate Professor Roger Wilkins, Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, pp. 27–28.

would reduce investors' willingness to pay for housing, and therefore make owner occupation a more attractive choice.⁶⁸

9.64 Housing researchers from Swinburne University of Technology also recommended removing the 50 per cent CGT concession for investment properties.⁶⁹

Committee view

9.65 Few of the issues raised during this inquiry were as contentious as negative gearing. The committee accepts that negative gearing likely encourages higher levels of investment in residential housing than would be the case if it did not exist in its current form (for instance, if losses on investment housing could only be deducted against rental income). This, in turn, likely has a detrimental effect on home purchase affordability. On the basis of evidence received during the inquiry, the committee was unable to clearly determine what effect negative gearing had on rental affordability; it notes, however, that most witnesses who spoke to the issue challenged the idea that negative gearing helps contain rents, and some also argued that it actually serves to undermine the availability of affordable rental stock.

9.66 The committee believes it is problematic to characterise negative gearing as a tax 'loophole'—indeed, the deductibility of losses against assessable income is a long-standing feature of the tax system in Australia. Popular belief aside, negative gearing is not a feature specific to housing assets, although it is overwhelmingly used in relation to investment housing.

9.67 Regardless, the committee is disappointed that Treasury was unable to quantify the effect of the negative gearing arrangements on housing prices, or provide clear guidance on the relationship between negative gearing and rental affordability.

9.68 With this in mind, the committee suggests that, as a minimum starting point, an informed public debate about the taxation treatment of investment housing requires a full and frank assessment of how negative gearing and the 50 per cent CGT discount affects house prices and the rental market. This assessment would include the cost to revenue of negative gearing and the CGT discount, and what impact, if any, these arrangements have on economic productivity. The committee has also concluded that it would be useful for the Treasury to provide a comprehensive assessment of the effect on purchase and rental affordability of various possible changes to the taxation treatment of investment housing. This assessment should also examine the administrative practicality of various changes, and the effect such changes would have on revenue and economic activity more broadly.

9.69 The committee anticipates that the taxation treatment of investment housing will likely be addressed as part of the White Paper on the Reform of Australia's Tax

68 Mr Cameron Murray, *Submission 17*, p. 7.

69 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 9.

System. Any study by Treasury would necessarily have reference to and, as appropriate, build on the policy directions set out in White Paper.

Recommendation 13

9.70 The committee recommends that, to the extent such matters are not addressed by the White Paper on the Reform of Australia's Tax System, the Treasury should prepare and publish a study of the influence of negative gearing and the capital gains tax discount on home purchase affordability and on the rental market (including the effect on security of tenure for renters), the effect of these arrangements on revenue, and their effect (if any) on economic productivity. This study should examine the likely effects of alternative taxation treatments of investor housing. Alternative approaches considered in this study (including, where appropriate, in combination) should include:

- (a) a housing-specific 'quarantine' approach, wherein losses for investment properties can only be deducted against rental income, with provision for losses in excess of rental income to be carried forward and deducted against future rental income and capital gains;
- (b) a broader 'quarantine' approach, wherein interest expenses on all investments, including but not limited to housing assets, are only deductible in any given year up to the amount of investment income earned in that year, with provision for losses in excess of this amount to be carried forward and deducted against future investment income and capital gains;
- (c) limiting the application of negative gearing arrangements to new housing stock, or designated new affordable housing stock;
- (d) limiting the application of negative gearing to a certain number of properties (assessing options for various limits in this regard);
- (e) options for phasing out negative gearing on investment housing;
- (f) applying the savings income discount recommended in the Henry Review to investment housing, with consideration given to the impact of this approach both with and without the implementation of the Henry Review's recommendations in relation to housing supply and housing assistance; and
- (g) reducing or removing the capital gains tax discount for investment properties, or reverting to the pre-1999 system of taxing real rather than nominal capital gains on investment assets.

Tax and the family home

9.71 A number of submitters argued that the exemption of owner-occupied housing from CGT (and, indeed, state land tax, as discussed in chapter five) encouraged overinvestment in housing as a form wealth creation. As a result, house prices were

pushed higher than they otherwise would be, providing a benefit to existing home owners but serving to make it more difficult for would-be first home owners to enter the market.⁷⁰

9.72 Owner-occupied housing in Australia is exempt from CGT and other income taxes; further, as was discussed in chapter six, it is exempt from state-based land tax. Professor Yates, in research cited in AHURI's submission, estimates that the tax benefit to owner-occupiers was worth \$45 billion in 2005–06. The lion's share of this amount, \$29.8 billion, is derived from the CGT exemption. The non-taxation of imputed rent—that is, the rent which owners would need to pay themselves if they rented their own houses at market rates—accounts for \$6.9 billion of the total.⁷¹ The exemption of imputed rent from GST accounts for a further \$4.8 billion of Professor Yates' total, with the remaining \$3.5 billion attributed to the exemption of owner-occupied housing from state-based land taxes.⁷²

9.73 Referring to tax expenditures in relation to owner-occupied housing, the CFRC noted that policy settings targeted toward support for home owners are generally underpinned by 'contentions about the perceived economic and social benefits' associated with home ownership. However, according to the CFRC, the structure of indirect tax expenditures to owner-occupiers fails to assist people into home ownership:

Instead, the greatest support goes to existing home owners, with young lower income home purchasers and renters receiving the least assistance. Indeed, given the contribution of such support to what some analysts argue is a substantially over-valued market (OECD 2013), these forms of assistance actively debar access to moderate income and lower income groups. The implicit subsidies provided through the tax system benefit home owners, not home ownership.⁷³

9.74 Mr John Hawkins made a comparable point, suggesting that the CGT exemption cost the budget \$30 billion per year, and in the process served to entrench economic inequality:

As well as driving up house prices the tax treatment is regressive, discriminating against those, generally poorer, people who spend their lives as renters not owners.⁷⁴

70 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6.

71 This total is arrived at by estimating the benefit from the non-taxation of imputed rent, less operating costs and a cost for the non-deductibility of mortgage interest.

72 Australian Housing and Urban Research Institute, *Submission 93*, pp. 2–3. The source AHURI refers to is Judith Yates, *Tax Expenditures and Housing*, AHURI Research Paper (September 2009).

73 City Futures Research Centre, UNSW, *Submission 152*, p. 5.

74 Mr John Hawkins, *Submission 105*, p. 3.

9.75 Similarly, NT Shelter submitted that the preferential tax treatment of owner-occupied housing—including the CGT exemption, the exemption from state land taxes (as discussed in chapter six), and the exclusion of the family home from the pension assets test (discussed in chapter twelve)—worked to the benefit of existing home owners, rather than people seeking to enter the market:

While it could be argued that these advantages assist moderate income households to access home ownership, it seems more likely that their effect over the long term has been to inflate house prices and encourage over investment in owner-occupied housing.⁷⁵

9.76 Professor Yates made the broader argument that tax expenditures on housing, and in particular the exemption of owner-occupied housing from CGT, raised issues of distributional and intergenerational equity:

Distributional analyses of these concessions highlight the extent to which older, higher income households with high housing wealth benefit disproportionately compared with younger, lower income households who are most in need of assistance. The somewhat lower benefits for older, lower income households are reinforced by the exemption of the family home from asset testing for the age pension (higher income households are less affected because they will be excluded by the income test). This provides an incentive for households potentially eligible for the pension to maintain a high proportion of their wealth in the family home in the same way as tax incentives encourage older higher income households to do the same.⁷⁶

9.77 Taking a different view, Mr Eslake noted that while the family home was exempt from CGT, it was also the case that taxpayers were not able to deduct the costs associated with acquiring and holding the home. Mr Eslake wrote that he did not favour the removal of the CGT exemption for owner-occupied housing because:

...consistency with other parts of the tax system would require that mortgage interest payments be deductible. That would in turn almost certainly encourage people to take on more debt, and would thus inflate the demand for housing, putting further upward pressure on prices. And it could well end up being revenue negative.⁷⁷

9.78 Professor Yates, however, noted that while interest expenses and maintenance costs are not deductible, owner-occupiers are not subject to tax on imputed rent.⁷⁸

75 NT Shelter, *Submission 118*, p. 5.

76 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6. The exemption of the family home from the aged pension assets test is discussed in chapter twelve.

77 Mr Saul Eslake, *Submission 2*, p. 15.

78 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6. As the Productivity Commission noted in its 2004 report on first home ownership, the tax treatment of imputed rental income is not unique to housing, and individuals do not pay tax on imputed income from other assets, such as motor vehicles. Productivity Commission 2004, *First Home Ownership*, Report no. 28, Melbourne, p. 77.

While not advocating the taxation of imputed rent, which she suggested was probably 'unrealistic', Professor Yates did not agree that removing the CGT exemption would require the introduction of interest deductibility.⁷⁹

Committee view

9.79 The committee does not believe taxing capital gains on owner-occupied housing would be constructive. While removing the CGT exemption could potentially improve affordability, this would be achieved at significant cost to home owners. Moreover, taxing the capital gains on a person's home would be inconsistent with the broad community consensus that a person's home should not be treated as simply another investment asset.

79 Honorary Associate Professor Judith Yates, University of Sydney's Senior Visiting Fellow *Proof Committee Hansard*, 10 November 2014, p. 43.

Chapter 10

Housing finance, investor activity and macroprudential policy

10.1 During the inquiry the committee considered the relationship between housing finance and housing affordability, repayment affordability and 'mortgage stress'. This chapter considers whether Australians are unduly constrained in accessing housing finance, and the relationship between access to housing finance and housing affordability. The relationship between increasing house prices and the incidence of 'mortgage stress' is also examined.

10.2 In addition, this chapter weighs concerns expressed by some witnesses that excessive borrowing by investors is fuelling a speculative boom in housing prices, and fostering a build-up of risk in the financial sector more broadly. These concerns focused in particular on the Sydney and Melbourne housing markets, and the strong growth in investor activity in those markets. In considering these concerns, the committee also assessed what role, if any, macroprudential tools might play in helping to contain excessive speculative activity by housing investors.

10.3 This chapter also includes some brief observations regarding the impact of limited recourse borrowing for residential property by Self-Managed Superannuation Funds (SMSFs).

10.4 During the inquiry, the committee also received evidence suggesting problems in the availability of finance for affordable housing and urban regeneration projects. These issues are considered in chapter 23.

Access to finance and the mortgage industry

10.5 The ability of Australians to access housing finance was not a major focus of this inquiry. Nonetheless, the committee did receive some evidence suggesting that over-concentration in the housing finance sector might be limiting the product choices available to some consumers. In particular, the Mortgage and Finance Association of Australia (MFAA), pointed to the dominance of the 'Big Four' banks in the housing loan market as an impediment to innovation in the housing finance sector:

MFAA submits that lack of wide-spread competition across the housing lending sector is an inhibitor of the development of innovative mortgage products focussing on new buyers.¹

10.6 Although not addressing these concerns directly, the RBA told the committee that it was confident access to finance was not a significant problem for most

1 Mortgage and Finance Association of Australia, *Submission 42*, p. 2.

homebuyers. Dr Malcolm Edey, Assistant Governor (Financial System), told the committee that Australians enjoyed good levels of access to housing finance and that households are:

...not artificially constrained from borrowing as much as they can reasonably be expected to repay. I have already made the point that perceptions of affordability will differ across different types of households, but if there is a perceived affordability problem in Australia it is not due to a lack of finance.²

10.7 The RBA did acknowledge that tighter lending standards generally prevailed in Australia compared to the situation prior to the Global Financial Crisis. However, it maintained that these tighter standards were not an unreasonable constraint on would-be borrowers, but rather a welcome shift to more sustainable lending practices:

The experience of the United States in the lead-up to the financial crisis demonstrates that it is not in the long-term interest of either borrowers or lenders to boost 'affordability' by enabling households to borrow ever-larger amounts. Lending standards in the Australian mortgage market were not as loose as those seen in the United States in the years leading up to the crisis. There were, however, some instances of risky practices in Australia, which have become less prevalent in recent years. This is a welcome development and should not be seen as an unwarranted constraint.³

Committee view

10.8 On the basis of evidence received, the committee is satisfied that Australians are not unreasonably impeded in accessing finance to purchase a home. The committee also notes advice from the RBA that, to the extent mortgage finance is generally not as easy to access as it might have been prior to the Global Financial Crisis, this reflects a welcome improvement in lending standards. This is not to suggest that some Australians do not have difficulty accessing housing finance. As discussed further in the next chapter, some groups of people, including low-to-moderate income first home buyers, may have particular difficulty in accessing housing finance. However, the evidence received in this inquiry does not appear to suggest that these issues are symptomatic of systemic failures in the housing finance market.

Owner-occupier mortgages and mortgage stress

10.9 Despite improvements in mortgage lending practices, a number of witnesses expressed concern that some households are taking on excessive levels of mortgage debt due to house price growth. While levels of mortgage stress appear relatively well contained in the current low interest rate environment, these witnesses cautioned that

2 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 2.

3 Reserve Bank of Australia, *Submission 14*, p. 5.

increasing numbers of households are likely to be exposed to significant financial difficulty when monetary policy inevitably tightens.

10.10 Trends in overall repayment affordability, as DSS noted, are largely governed by changes to household income and interest rates.⁴ In the last two decades interest rates have been relatively low and income growth relatively strong, which has somewhat benefited repayment affordability.⁵ The RBA told the committee that on the measure of repayment costs on a typical new housing loan expressed as a ratio of disposable income, affordability had 'fluctuated around a broadly stable average over the past three decades, with average repayments varying between about 20 and 30 per cent of disposable incomes'. As Dr Edey explained:

...the ratio of housing prices to incomes now is at the top of its historical range but over time this has been more than offset by falls in financing costs, so that the typical repayment burden as a share of income is currently not particularly high.⁶

10.11 In April 2014, the ABA observed that despite historically low interest rates for variable and fixed rate home loans, there had been little movement in the size of the average home loan made by banks to owner-occupiers in the three years to the end of 2013. It should be noted, however, that the same source used by the ABA to make this point also showed significant increases in average mortgage sizes between the mid-1990s and 2009.⁷

10.12 The RBA suggested that while some households would always struggle to meet their repayment obligations, the available evidence suggested that mortgage stress was not widespread. Nor was there evidence of systematic excessive lending beyond what borrowers could afford to repay:

Arrears rates are low and have fallen since their 2011 peak. Most personal bankruptcies are unrelated to mortgage debt, and they have also declined in recent years, as have home repossessions. Lenders have been willing to extend hardship relief to households that face temporary difficulties in repaying their loans, for example due to the floods in Queensland in late 2010 and early 2011. In addition, many households have built up buffers of excess repayments through offset and redraw facilities. These buffers provide those households with a cushion of prepayments that can be drawn down to avoid falling into arrears. By implication, these households'

4 Department of Social Services, *Submission 198*, p. 11.

5 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 30 July 2014, p. 1. Ms Hand's comments related to lower interest rates since the early 1990s, and did not refer to income growth.

6 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 1–2.

7 Australian Bankers' Association, *Submission 197*, p. 5.

required mortgage repayments are affordable given their current financial circumstances.⁸

10.13 In its most recent *Financial Stability Review*, released on 25 March 2015, the RBA noted that indicators of household financial stress remain at low levels, with borrowers continuing to take advantage of low interest rates to pay down debt more quickly than contractually obliged and build up 'mortgage buffers'.⁹

10.14 However, the RBA also acknowledged that household financial stress could 'start to increase if labour market conditions weaken further than currently envisaged'.¹⁰ Moreover, as Dr Edey told the committee, the general stability in repayment affordability did not mean that particular types of households in particular markets were not experiencing affordability problems.¹¹ Similarly, DSS noted that the 'absolute increase in the size of mortgages, as opposed to simply the amount that is required to pay off a mortgage, has significantly increased the level of risk taken on by households entering the housing market'.¹²

10.15 Some witnesses suggested that the current low interest rate environment was in fact disguising the extent to which many Australians were exposed to severe repayment affordability issues. For example, Professor Stilwell underlined what he regarded as the risks created by households engaging in excessive borrowing in a low interest rate environment to chase ever-rising home prices. Such behaviour, he suggested:

...has some awesome historical equivalents, such as the sub-prime mortgage market collapse in the United States that precipitated the global financial crash of 2007–8. That was the terrible fallout of a process that involved people on modest incomes seeking to borrow to buy houses—and vigorously encouraged by lending institutions to do so—without due regard to their capacity to service the debt. Where future incomes are unreliable, especially because of insecure jobs, this can be a disastrous recipe for the individuals and families caught up in this process, as well as for the macroeconomic situation more generally.¹³

10.16 The committee also heard from a number of community service and housing providers who reported growing levels of mortgage stress, particularly in suburbs on the urban fringe of major cities. For instance, a submission from community legal centres located in Melbourne's outer-western suburbs referred to high rates of

8 Reserve Bank of Australia, *Submission 14*, p. 6.

9 Reserve Bank of Australia, *Financial Stability Review* (March 2015), pp. 2, 37, 39.

10 Reserve Bank of Australia, *Financial Stability Review* (March 2015), pp. 2, 37, 39.

11 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, pp. 1–2.

12 Department of Social Services, *Submission 198*, p. 11.

13 Professor Frank Stilwell, *Submission 25*, p. 1.

mortgage stress being experienced in its local communities. Some of the reasons for this, the centres offered, included 'unscrupulous lenders, interest rate increases, unemployment, family breakdown, death of a spouse, illness or injury'. The centre recommended that the Commonwealth fund 'mortgage stress clinics made up of [community legal centres] and financial counsellors to assist residents suffering mortgage stress'.¹⁴

Borrowing by housing investors and potential macroprudential tools

10.17 As discussed in earlier chapters, a large number of submissions expressed concerns that highly leveraged housing investors were driving up house prices and pricing first homebuyers out of the market.

10.18 In response to heightened investor activity in certain housing markets, the RBA has indicated a degree of concern that housing investors are assuming too much risk. For example, in early September 2014 Governor Glenn Stevens noted that a monetary policy stance aimed at encouraging business investment and generating employment amid global economic weakness also creates increased risk in the housing market:

As for things that monetary policy should try to avoid, we are also cognisant of the fact that monetary policy does work initially by affecting financial risk-taking behaviour. In our efforts to stimulate growth in the real economy, we don't want to foster too much build-up of risk in the financial sector, such that people are over-extended. That could leave the economy exposed to nasty shocks in the future. The more prudent approach is to try to avoid, so far as we can, that particular boom-bust cycle. It is stating the obvious that at present, while we may desire to see a faster reduction in the rate of unemployment, further inflating an already elevated level of housing prices seems an unwise route to try to achieve that.¹⁵

10.19 The RBA also told the committee that while it was mainly concerned with the imbalance in the Sydney and Melbourne markets, it was not confident that other markets would not suffer in the event of a downturn in those markets:

[W]e would see the imbalance as being primarily in the Sydney and Melbourne markets. But of course what we do not know is whether the down-swing will be quite so concentrated. ... [A]t the moment the increase in house prices is primarily concentrated in those two cities. To be honest in some other parts of Australia house prices are rising a little bit faster than incomes but not by a whole lot and not by the kind of growth rates that would cause you to be too concerned. But it is part of a general cycle in

14 The Western Community Legal Centres (Wyndham Legal Service, Footscray Community Legal Centre, Brimbank Melton Community Legal Centre and Western Suburbs Legal Service), *Submission 44*, pp. 12–13.

15 Governor Glenn Stevens, Address to CEDA Luncheon, 'The Economic Scene', Adelaide, 3 September 2014, <http://www.rba.gov.au/speeches/2014/sp-gov-030914.html>.

house prices and we are worried about what the downside of that house price cycle might look like.¹⁶

10.20 In late September 2014, with the release of its *Financial Stability Review*, the RBA indicated that it was in discussions with the Australian Prudential Regulation Authority (APRA) regarding the potential use of macroprudential tools to counter excessive speculative activity by housing investors, particularly in Sydney and Melbourne (as discussed below). Whereas traditional prudential policy, often referred to as 'microprudential', focuses on the safety and soundness of individual financial institutions, macroprudential policy is concerned with the stability of the financial system as a whole. To this end, macroprudential policy seeks to use regulatory instruments, referred to as macroprudential tools, to reduce systemic risks that can develop in boom-bust financial cycles.¹⁷ Such tools, as they apply to housing finance, can include loan-to-value limits (LTV; or, commonly, 'LVR', for 'loan-to-value ratio') and debt-to-income (DTI) limits.¹⁸

10.21 Statements in recent years from the RBA have hinted at a general scepticism regarding the value of macroprudential tools in limiting housing price growth. For example, a 2013 paper by Dr Luci Ellis, the RBA's Head of Financial Stability, concluded that LTV and DTI restrictions are generally insufficient to counteract the price effects of low or falling interest rates.¹⁹ In July 2014, Dr Ellis stated:

By now it should be clear that the Australian authorities' views on this supposedly new toolkit are a bit different from those in some other jurisdictions. We view macro-prudential policy as something to be subsumed into the broader financial stability framework. We recognise that

16 Dr Luci Ellis, Head, Financial Stability, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 8.

17 Luis I. Jácome and Erlend W. Nier, 'Macroprudential Policy: Protecting the Whole', *Finance and Development* 49, no. 1 (March 2012), <http://www.imf.org/external/pubs/ft/fandd/basics/macropu.htm#author>. Dr Luci Ellis, the RBA's Head of Financial Stability, is critical of this supposed dichotomy between microprudential and macroprudential regulation, and suggests that most 'supposedly macroprudential policy tools are in fact the usual prudential tools long used by ostensibly "micro" prudential supervisors'. Luci Ellis, address to the Paul Woolley Centre for Capital Market Dysfunctionality Annual Conference, 'Macroprudential Policy: A Suite of Tools or a State of Mind?' 11 October 2012, http://www.afr.com/rw/2009-2014/AFR/2012/10/10/Photos/7acdc298-1333-11e2-b1c0-1b3f887c6e6e_Ellis%20speech%20on%20macroprudential%20policy.pdf.

18 Deniz Igan and Heedon Kang, IMF Working Paper, 'Do Loan-to-Value and Debt-to-Income Limits Work? Evidence from Korea' (December 2011), <https://www.imf.org/external/pubs/ft/wp/2011/wp11297.pdf>.

19 Dr Luci Ellis, Head of Financial Stability Department, Reserve Bank of Australia, 'Macroprudential policy: What have we learned?' <http://www.rba.gov.au/foi/disclosure-log/pdf/131413.pdf>.

quantitative restrictions were already tried in the 1960s and 1970s, and didn't always work so well.²⁰

10.22 In August 2014, Governor Stevens himself referred to 'dreaded macroprudential tools' as the 'latest fad, internationally' during his appearance before the House of Representatives Standing Committee on Economics. However, he also noted that he did not rule out the use of macroprudential tools or asking APRA to use them, if needed. That possibility, he stated, would 'remain on the table'.²¹

10.23 While Governor Stevens had at no point ruled out the possibility that macroprudential tools may be used, the RBA's September 2014 *Financial Stability Review* nonetheless suggested a shift in the RBA's thinking on the subject. The review noted a strong pick-up in growth in lending for investor housing, particularly relative to growth in lending for owner-occupied housing and businesses. It stated that with the strong growth in lending for investor housing:

...the composition of housing and mortgage markets is becoming unbalanced, with new lending to investors being out of proportion to rental housing's share of the housing stock. Both construction and lending activity are increasingly concentrated in Sydney and Melbourne, where prices have also risen the most.²²

10.24 The *Financial Stability Review* also discussed the risks associated with the strong growth in lending to housing investors, measures announced by APRA to help manage this risk, and discussions between APRA and the RBA on further measures that might be considered:

In the first instance, the risks associated with this lending behaviour are likely to be macroeconomic in nature rather than direct risks to the stability of financial institutions. Property investors in Australia have historically been at least as creditworthy as owner-occupiers, and mortgage lending standards remain firmer than in the years leading up to the financial crisis. Even so, a broader risk remains that additional speculative demand can amplify the property price cycle and increase the potential for prices to fall later, with associated effects on household wealth and spending. These dynamics can affect households more widely than just those that are currently taking out loans: the households most affected by the declines in wealth need not necessarily be those that contributed to heightened activity. Furthermore, the direct risks to financial institutions would increase if these high rates of lending growth persist, or increase further. In this environment, recent measures announced by the Australian Prudential Regulation Authority (APRA) [through the release of a draft Prudential

20 Luci Ellis, Head of Financial Stability Department, Reserve Bank of Australia, address to the University of Adelaide, 'Why Financial Stability Matters, and What We Can Do About It', 4 June 2014, <http://www.rba.gov.au/speeches/2014/sp-so-fs-040614.html>.

21 Mr Glenn Stevens, Governor, Reserve Bank of Australia, *Committee Hansard*, Brisbane, 20 August 2014, p. 21.

22 Reserve Bank of Australia, *Financial Stability Review*, September 2014, p. 1.

Practice Guide for housing] should promote stronger risk management practices by lenders. The Bank is discussing with APRA, and other members of the Council of Financial Regulators, additional steps that might be taken to reinforce sound lending practices, particularly for lending to investors.²³

10.25 These 'additional steps' were taken by observers to potentially include the use of macroprudential tools. Comments by Governor Stevens made in late September 2014 provided further insights into the RBA's evolved thinking on the potential introduction of macroprudential tools. Asked about his characterisation in August of macroprudential tools as a 'fad' and whether his views had changed, Governor Stevens responded:

[I]nvestment finance is growing at double-digit rates. It's nearly half the flow of new approvals. A lot of this is interest-only lending in an environment of rising house prices, especially in Sydney and Melbourne. I think it is perfectly sound and sensible to ask ourselves whether we might at least lean on that a bit. I see not much downside of doing so. The worst that could happen is that it doesn't have that big an effect, but if it had some, and that helps us to square in some small way all the conflicting things that we have going on, that is worth a try. I'm not naïve enough to believe that these kind of tools are, you know, any kind of panacea or a permanent solution. I'm old enough to remember the lessons of regulation in the past. But that doesn't mean you shouldn't use them for a period, if at the margin they might be helpful, and that's the kind of thing that's in my mind, nothing more. I don't think that's any kind of change of tune really. I've always said I have certain scepticism about macroprudential tools as a panacea, but I remain open to using them if it seems sensible to do so, and that's the kind of thing we have in mind right now.²⁴

10.26 On 2 October 2014, following the release of its *Financial Stability Review*, the RBA appeared before the committee and explained the thinking underlying the comments in the review:

The rate of growth of investor finance is significantly outpacing the growth in household incomes. Loans to investors currently account for close to 50 per cent of new housing loan approvals. Investor activity has been particularly concentrated in New South Wales and Victoria. In New South Wales, investor loan approvals have increased by about 90 per cent over the past two years. It is against this background that the bank said in its *Financial Stability Review* last week that the composition of housing and mortgage market activity is becoming unbalanced. The review also indicated that we are discussing with APRA steps that might be taken to

23 Reserve Bank of Australia, *Financial Stability Review*, September 2014, pp. 1–2.

24 Governor Glenn Stevens, Address to the Melbourne Economic Forum, University of Melbourne, 'Financial System Reform and the Monetary System', 25 September 2014, <http://www.brrmedia.com/event/127406/sp-gov-250914>.

reinforce sound lending practices, particularly for investor finance although not necessarily limited to that.

I emphasise that the banks in Australia are resilient and mortgage lending in this country has historically been relatively safe. APRA has, however, noted a trend to riskier lending practices and over the past couple of years has been seeking to temper these through its supervisory activities. There are also broader concerns with the macroeconomic risks associated with excessive speculative activity, since this activity can amplify the property price cycle and increase risks to households. Our discussions with APRA and other agencies on these matters are ongoing and there will be more to say about them in due course.²⁵

10.27 Asked about Governor Stevens description in August 2014 of macroprudential tools as an international 'fad', Dr Edey explained that the Governor was rightly expressing scepticism (as both he and Dr Ellis had previously) about 'highly prescriptive and overengineered approaches that are being advocated in some of the international debate'. Dr Edey emphasised, however, that the Governor had also stated that the RBA did not rule out the use of macroprudential tools in Australia.²⁶ Dr Edey added:

You have had people talking about setting up entirely new frameworks where you have new institutional arrangements and new oversight committees, trying to almost mechanise the relationship between instruments and objectives in a way that we think is unrealistic. We have talked in very sceptical terms about those kinds of approaches to policy. That is why I emphasise the continuity between what we are doing now and what we have said in the past. What we have always said is that we do not need a radically new approach in Australia. We have the tools and we have institutional arrangements that are capable of dealing with systemic risks as they arise. What we believe has happened over the past year is that a concentration of risk in the housing market has come up, it has gradually become more severe and, as that has happened, we have turned up the dial in the response to that, both in our rhetoric and in the way that we have engaged with APRA as to the sorts of supervisory responses that are needed.²⁷

10.28 However, the RBA also indicated in the same hearing that LVRs were 'unlikely to be in the tool kit' being considered by APRA, as they would be targeted at the wrong segment of the market. It further indicated that the tools that were being

25 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 2.

26 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 4.

27 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 4.

considered would be directed toward the apparent imbalance 'in the form of excessive activity by investors in the market'.²⁸

10.29 Asked how macroprudential tools would be deployed given the diverse conditions in housing markets throughout Australia—that is, how such tools could be used to contain investor activity in Sydney or Melbourne without adversely affecting flat or depressed housing markets—Dr Edey responded:

I think we do need to be mindful of that issue. That is why I emphasised earlier that any measures we take have to be well targeted. Exactly how that is done will become evident in due course when the final decisions are made. We have to strike a balance between being overly prescriptive and trying to micro-manage the market and coming up with measures that could be broadly effective. I would just make the mathematical point that most of the growth in investor finance at the moment is coming out of lending into the Sydney and Melbourne market, so any measure that targets investor finance in total is going to have its major impact there because that is where most of the activity is. Whether we need to do something even more than that to target it even more tightly is something we will need to think about. As a general proposition, something that is targeted at the investor market is going to have its main impact in the areas where the largest imbalances are at the moment.²⁹

10.30 Subsequently, Dr Edey told the committee that the RBA was not hostile to housing investors, and any tools used would need to be directed specifically to addressing the 'excessive growth in risk exposure in the investor market':³⁰

I think there are a few principles that have to be kept in mind. One is that it has to be targeted. We have already talked a bit about what that means: identifying what the problem is and designing measures that specifically address that problem. It has to be proportionate. We are not trying to kill the investor market. We are not against investors; we are just against imbalance, so it has to be proportionate. Yes, I think those are the two main things really. It has to be well targeted. It has to be commensurate to the problem that we are facing.³¹

10.31 The committee received evidence from a number of witnesses (all of it received prior to the release of the September 2014 *Financial Stability Review*) arguing that the RBA and APRA should implement (or at least consider implementing) macroprudential tools to dampen speculative activity in the housing

28 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 3.

29 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 6.

30 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 12.

31 Dr Malcolm Edey, Assistant Governor, Financial System, Reserve Bank of Australia, *Proof Committee Hansard*, 2 October 2014, p. 9.

market. For example, in order to address what it regarded as a speculative property bubble driven in part by excessive borrowing, Prosper Australia recommended carefully considered macroprudential regulation to 'restrain our current debt appetite'. Prosper Australia did stress, however, that the detail of such macroprudential tools would be critical:

The quality of those macroprudential regulations is everything. It is all very well to announce them and say that you have got some, but they need to be effective as well.³²

10.32 Professor Burke, meanwhile, expressed his frustration at the RBA's apparent unwillingness to countenance macroprudential interventions in the housing market. According to Professor Burke, while the RBA appeared to be solely focused on the interest rate, in countries including China, Malaysia and New Zealand the respective central bank:

...is actually interfering in the lending regimes of finance institutions to avoid housing bubbles. China, for example, has restricted finance to new supply. It has said that there will be no funds for investors who already own more than one dwelling. New Zealand has capped financing by private finance institutions for home loans at no more than 80 per cent of the value of the property. They are temporary arrangements that they put in place at the time of housing bubbles. We do not seem to have any discussion about the potential for those sorts of levers being used by the Reserve Bank and it almost looks as if you cannot touch the housing market. That puzzles me somewhat, that the Reserve Bank does not do that, except for jawboning saying we should not be investing because it could be risky. That does not seem adequate to me.³³

10.33 Other countries have in recent years introduced macroprudential measures directed toward reducing risk in the housing market. Notably, in May 2013 the Governor of the Reserve Bank of New Zealand (RBNZ) and the New Zealand Minister for Finance signed a Memorandum of Understanding (MoU) regarding macroprudential policy and operating guidelines. This MoU covered the application and operation of macroprudential policy. It provided that the RBNZ could intervene and apply macroprudential tools where 'significant risks are judged to be emerging'. The available macroprudential instruments included countercyclical capital buffers, adjustments to the minimum core funding ratio, sectoral capital requirements, and restrictions on high LTV ratio residential mortgage lending.³⁴ In response to rising house prices, in August 2013 the RBNZ intervened in the market by introducing a LTV ratio limit, so that residential mortgage lending with LTV ratios higher than

32 Mr David Collyer, Policy Director, Prosper Australia, *Proof Committee Hansard*, 9 September 2014, pp. 1–2.

33 Professor Terry Burke, private capacity, *Proof Committee Hansard*, 9 September 2014, p. 25.

34 Reserve Bank of New Zealand, 'Memorandum of Understanding between the Minister of Finance and Governor of Reserve Bank of New Zealand', 13 May 2013, http://www.rbnz.govt.nz/financial_stability/macro-prudential_policy/5266657.html.

80 per cent are capped at 10 per cent of a bank's new residential mortgage lending (subject to some exemptions).³⁵

10.34 In May 2014, the RBNZ conducted a counterfactual analysis of the effect of the LTV ratio limit on the housing market. It found that six months after its introduction, the LTV ratio limit appeared to have moderated house price inflation and credit growth. It also estimated that without the LTV ratio limit, or any other housing-specific shocks, house price inflation and household credit growth could have been 3.3 and 0.9 percentage points higher respectively. The analysis noted, however, that it was undertaken only six months after the implementation of the LTV ratio limit. As such, the analysis acknowledged that the findings probably reflected a transitional period, during which market participants may have reacted quite rapidly to the policy. New market participants, it added, might grow accustomed to the policy, and housing activity could consequently rebound leading to smaller effects over the first year.³⁶

10.35 Other countries that have also introduced macroprudential tools in recent years in response to house price inflation include Canada in 2008, and South Korea at various points between 2002 and 2010.³⁷

10.36 The RDC argued that while macroprudential tools could be used to manage systemic risk, they were only effective if the nature of the risk was properly understood. The RDC suggested that in New Zealand, decisions about macroprudential tools had been taken in the absence of adequate data on the levels of housing investment, and in particular foreign investment. As such, housing prices had continued to rise, and the macroprudential tools deployed had simply served to slow growth in the first homebuyer market:

The point is that, if we are to make those decisions, we need to do that not in the absence of the data that understands where we are heading in terms of the investment patterns, the supply that is coming through, the demand that is likely to be there and the foreign investment numbers. Those inputs into the equation need to be there if we are going to implement some of those macroprudential tools.³⁸

35 Reserve Bank of New Zealand, 'Limits for high-LVR lending', 20 August 2013, <http://www.rbnz.govt.nz/news/2013/5406716.html>.

36 Gael Price, Reserve Bank of New Zealand Analytical Note, 'How has the LVR restriction affected the housing market: a counterfactual analysis', May 2014, p. 13, http://rbnz.govt.nz/research_and_publications/analytical_notes/2014/an2014_03.pdf.

37 See Ivo Krznar and James Morsink, IMF Working Paper, 'With Great Power Comes Great Responsibility: Macroprudential Tools at Work in Canada' (May 2014), <http://www.imf.org/external/pubs/ft/wp/2014/wp1483.pdf>; and Choongsoo Kim, 'Macroprudential policies in Korea: Key measures and experiences', Bank of Korea, April 2014, https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/publications/FSR18_Kim.pdf.

38 Mr Nicholas Proud, Executive Director, Residential Development Council, Property Council of Australia, *Proof Committee Hansard*, 10 November 2014, p. 54.

10.37 For its part, Home Loan Experts complained that current LVR limits were already too restrictive, and cautioned against moves to tighten the limits further:

Currently APRA has placed significant policy constraints on the banks. If they are required to reduce maximum LVRs (Loan to Value Ratio) similar to New Zealand, this will make it harder for first home buyers to enter the market since most tend to borrow around 90% of the property value. Limiting the LVR to 80% would require buyers to save up double the amount of deposit to make a purchase.³⁹

10.38 In contrast, Mr Cameron Murray argued in favour of New Zealand-style LVR limits, in order to reduce the effect of high-risk investors on the housing price cycle.⁴⁰

Recent developments regarding prudential policy and housing finance

10.39 In December 2014, APRA announced new measures to reinforce sound house lending practices following discussions with member agencies of the Council of Financial Regulators (CFR; including the RBA, which chairs the CFR). As the RBA explained, the measures:

...outline prudential expectations of ADIs' [Authorised Deposit-taking Institutions] lending behaviour regarding: the extent of higher-risk mortgage lending; the pace of growth in investor housing lending; and the interest rate buffers and floors used in loan serviceability assessments. The benchmarks specified are not intended to be hard limits, but rather to serve as a trigger for more intense supervisory action, potentially including additional capital requirements.⁴¹

10.40 In an appearance before the House of Representatives Standing Committee on Economics on 20 March 2015, the Chairman of APRA, Mr Wayne Byres, discussed the 'triggers' for intensified supervisory action by APRA, and the kind of actions the regulator might take to curb the growth of lending to property investors. Mr Byres indicated that APRA was considering an increase in capital levels for particular banks whose growth in lending to investors continued to exceed 10 per cent:

In this current exercise, we are going through, we are targeting those ADIs that are pursuing the most aggressive lending strategies and, to the extent there are additional capital requirements imposed, they will be imposed on those housing portfolios where the risks are and not on the other lending books that banks have.⁴²

39 Home Loan Experts, *Submission 5*, p. 1.

40 Mr Cameron Murray, *Submission 17*, p. 7.

41 Reserve Bank of Australia, *Financial Stability Review* (March 2015), p. 45.

42 Mr Wayne Byres, Chairman, Australian Prudential Regulation Authority, *Proof Committee Hansard*, 20 March 2015, p. 23.

10.41 As some have observed, this would likely be achieved through a lifting of the prudential capital ratio, which APRA sets according to the risks for each institution.⁴³ However, such moves would not be publicly disclosed. Mr Byres suggested that such 'below the radar' prudential regulation was important in maintaining public confidence in the banks.⁴⁴

10.42 Meanwhile, the Australian Securities and Investments Commission (ASIC; also a member of CFR) announced in December 2014 that it would conduct a review of interest-only housing lending. The review has been prompted by concerns by regulators about higher-risk lending following strong house price growth in Sydney and Melbourne. Interest-only loans, ASIC noted in announcing the review, have reached a new high of 42.5 per cent of new housing loan approvals in the September 2014 quarter (including loans for both owner-occupied and investment housing). ASIC Deputy Chairman Peter Kell stated that while 'house prices have been experiencing growth in many parts of Australia, it remains critical that lenders are not putting consumers into unsuitable loans that could see them end up with unsustainable levels of debt'.⁴⁵

10.43 In its most recent *Financial Stability Review*, released on 25 March 2015, the RBA explained that the recent steps by APRA and ASIC were directed at managing increased risks associated with the recent run-up in housing prices and increased housing investor activity:

In this environment of low interest rates and strong demand, it is important that lending standards do not decline, and the measures announced by the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission in December are designed with that intent. While it is too early to see the effects of these measures in overall housing lending activity, the authorities will be monitoring an array of information in the period ahead to help ensure that the current risk profile in the mortgage market does not deteriorate.⁴⁶

Committee view

10.44 The committee notes and shares the concerns expressed by the RBA regarding what may be excessive levels of investor activity in the Sydney and Melbourne housing markets. As the RBA explained, it would appear that lending to investors has recently been growing out of proportion to rental housing's share of the market in the

43 James Eyers, 'APRA keeps macroprudential strictures on bank lending secret', *AFR*, 20 March 2015.

44 Mr Wayne Byres, Chairman, Australian Prudential Regulation Authority, *Proof Committee Hansard*, 20 March 2015, p. 7.

45 Australian Securities and Investments Commission, media release 14-329MR, 'ASIC to investigate interest-only loans', 9 December 2014, <http://asic.gov.au/about-asic/media-centre/find-a-media-release/2014-releases/14-329mr-asic-to-investigate-interest-only-loans/>.

46 Reserve Bank of Australia, *Financial Stability Review* (March 2015), p. 2.

two capitals, and this imbalance is inflating house prices and fostering a build-up of risk in the financial sector more broadly.

10.45 While the risks inherent in this situation are of concern, the committee would have serious reservations about the use of any overly blunt macroprudential regulations, including the use of LTV ratios such as these recently deployed in New Zealand. Throughout the inquiry, witnesses emphasised that there is not one Australian housing market, but rather many Australian housing markets, and indeed markets within markets. As such, the committee welcomes advice from the RBA that it is unlikely anything other than carefully targeted macroprudential tools would be deployed in Australia, and APRA would be quite unlikely to consider broad New Zealand-style LVR limits.

Limited recourse borrowing for property by SMSFs

10.46 Some observers have suggested investment in housing by SMSFs, including through the use of limited recourse borrowing, may be partially responsible for recent increases in house prices.

10.47 The Association of Superannuation Funds of Australia (ASFA) noted in its submission that the number of properties purchased by SMSFs in 2011–12 was possibly as low as 3000 out of a total 360,000 to 400,000 residential property sales that year. Moreover, the exposure of assets in SMSFs financed by limited recourse borrowings as at June 2012 was not particularly large at \$2.26 billion, at least relative to overall SMSF assets of \$438 billion (nor would all of this borrowing be for residential property). Nonetheless, ASFA noted that the amount of limited recourse borrowing by SMSFs was growing rapidly, from \$665 million in June 2010. ASFA further observed that these figures were based on ATO data available as of June 2012, and that since that time 'there appears to have been an increase in the activity of "property spruikers" strongly pushing residential real estate purchases by SMSFs'.⁴⁷

10.48 The committee also notes that in its September 2013 Financial Stability Review, the RBA suggested that the growth in property investments by SMSFs 'is a new source of demand that could potentially exacerbate property price cycles'.⁴⁸

Committee view

10.49 The purchase of residential property by SMSFs, including through limited recourse borrowing, was not a major focus of the committee's inquiry. As such, the committee is not in a position to assess the effect on housing affordability of property investment by SMSFs, including investments funded by limited recourse borrowing. Still, the committee believes this issue justifies close and ongoing observation, not

47 The Association of Superannuation Funds of Australia, *Submission 130*, pp. 3–4.

48 Reserve Bank of Australia, *Financial Stability Review* (September 2013), p. 49.

least because of anecdotal evidence of increasing activity by 'property spruikers' pushing real estate investments by SMSFs.

Chapter 11

Home ownership

11.1 Home ownership has long been the preferred tenure type of a majority of Australians. However, as the committee heard from a broad range of witnesses throughout the inquiry, with home prices growing well above the rate of incomes, the 'Australian dream' is drifting out of reach for a growing number of people. This is particularly the case for low-to-moderate income earners and younger people generally, with many struggling to build a deposit sufficient to secure a home in a rising market.

11.2 For the most part, witnesses told the committee that governments should set policies that encourage or even facilitate home ownership, not least because it has numerous financial and social benefits relative to other tenure types. However, the committee was cautioned by a number of housing policy experts and industry bodies that even well intentioned policies to encourage home ownership could be of limited use or counterproductive if they are poorly designed and directed. Many witnesses argued that demand-side measures, and in particular direct subsidies to homebuyers, often did nothing more than bring forward purchases that would have occurred anyway, rather than increase home ownership levels. Worse still, if direct subsidies are not adequately targeted, they may end up being capitalised into home prices, compounding the housing affordability problems they were ostensibly designed to address.

11.3 Despite the challenges of implementing policies to directly facilitate home ownership, the committee received promising evidence regarding the potential of several schemes, including shared equity and credit support schemes, currently in place in several Australian and foreign jurisdictions.

11.4 In this chapter, the committee considers the benefits of home ownership and the effect of housing affordability on home ownership trends in recent years. This chapter also analyses the merits or otherwise of various government policies and programs, both existing and potential, to help people who want to become home owners enter and remain in the market.

The benefits of home ownership

11.5 Australian governments have long recognised and indeed sought to encourage the general Australian preference for home ownership over other tenure types. The resulting policy approaches have varied, and indeed since the 1970s the

Commonwealth has shifted away from directly providing housing supply to encourage home ownership.¹ Still, as Mr Eslake wrote:

Australian Governments of all political persuasions have long purported to attach a great deal of significance to goals such as promoting home ownership, improving housing affordability, and increasing housing supply.²

11.6 According to many witnesses, the Australian preference for home ownership over other tenure types is understandable, given the substantial financial and social benefits that can accrue from home ownership. For example, HomeStart Finance told the committee that promoting home ownership was sound policy for government given that ownership:

...provides security of tenure and helps a family to build roots and connections within their community. Research shows that home ownership contributes to wellbeing, feelings of financial security, community pride and better educational and health outcomes for families.³

11.7 UDIA echoed these points in its submission, arguing that the Australian preference for home ownership, and the popular acceptance of access to affordable home ownership as a fundamental and desirable facet of modern Australian society, was well based. Home ownership, the UDIA argued:

...offers greater security, financial self-sufficiency, enhanced social capital and a greater sense of connection to the community. Affordable housing and home ownership is essential to the health, wellbeing and ongoing sustainability of Australian communities.⁴

11.8 AHURI suggested that although it is becoming progressively harder for low-to-moderate income earners to purchase a home, home ownership still provides financial benefits to people on low incomes and those living in outer suburbs. It pointed to research suggesting that:

...low-moderate purchasers buying in outer urban areas will have financial advantages compared to continuing to rent, which can be realised in some cases within four years of purchase.⁵

11.9 Noting that home ownership rates in Australia are among the highest in the world at 67.5 per cent in 2012 (although this is only slightly above the OECD average), the ABA explained that it believed:

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- 1 Mr Saul Eslake, *Submission 2*, pp. 2–3; Reform of the Federation White Paper, Issues Paper No. 2, *Roles and Responsibilities in Housing and Homelessness* (December 2014), p. 5.
 - 2 Mr Saul Eslake, *Submission 2*, p. 2.
 - 3 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2.
 - 4 Urban Development Institute of Australia, *Submission 190*, p. 4.
 - 5 Australian Housing and Urban Research Institute, *Submission 93*, p. 5.

...home ownership is an important part of achieving financial and social wellbeing and economic and social participation. Home ownership is an important financial goal and lifestyle aspiration for many Australians and an important mechanism for wealth accumulation.⁶

11.10 In light of the apparent benefits of home ownership, the ABA argued that 'policies which facilitate affordable and sustainable home ownership must remain at the centre of Australia's housing policy agenda.'⁷ However, the ABA also noted that 'home ownership may not be suitable for all and housing policy should take account of alternative and complementary policies designed and implemented to ensure appropriate housing solutions for all'.⁸

11.11 While not taking a position on whether an objective of government policy should be to achieve home ownership for all who seek it, the Australia Institute noted the multiple benefits of home ownership relative to renting:

Home ownership provides many benefits, both social and economic. In contrast to the rental market where leases may be terminated or not renewed, home ownership provides people with more secure tenure. This security has the associated benefits of creating a stable base for participation in work and education.

Home ownership also has large economic benefits and reduces housing costs in the long term. Unlike renting which has constant ongoing costs, housing costs are very low for home owners once mortgages have been paid off. This is a desirable situation for those who are entering retirement and have less earning potential. Homes are also an investment and provide people with an asset against which they can borrow. Home ownership gives people more purchasing power and many people re-mortgage their homes for upgrades, restorations or other purchases.⁹

11.12 Some submitters also noted that, for better or worse, the aged pension system in Australia was largely predicated on the assumption that people would own their own home by retirement (an issue addressed in chapter twelve). As National Shelter explained to the committee, this meant the decline in home ownership was cause for concern, at least to the extent that corresponding reforms to the rental sector were not implemented:

We have a long-term intergenerational headache that is really starting to grow and grow. Australia's pension system is predicated on the basis that people retire owning a property; therefore, the pension is adequate to live if you have achieved home ownership. If you have not achieved home ownership, and this is increasingly the experience of many low-income households, then the private rental market is a brutal place if you are on a

6 Australian Bankers' Association, *Submission 197*, p. 1–3.

7 Australian Bankers' Association, *Submission 197*, p. 9.

8 Australian Bankers' Association, *Submission 197*, p. 9.

9 The Australia Institute, *Submission 92*, p. 3.

fixed income or even a pension, and a pension is probably the best of those income support payments that you can be on.¹⁰

11.13 While by no means suggesting the government should focus on home ownership at the expense of other tenure types, Uniting Communities noted that when ownership was accessible this relieved demand on the rental sector. Thus, while home ownership might not be within reach for everyone, policy measures that helped move people into ownership would nonetheless ease the pressure on the private rental market and thereby assist some of the most vulnerable households in rental accommodation.¹¹

11.14 Similarly, Professor Yates advised that declining home ownership would likely translate into added pressures in other parts of the housing system:

While a declining rate of home ownership might not be perceived as a negative in its own right, it will almost certainly place additional demand pressure on the private rental market, increase rents substantially and place additional pressure on the already overwhelmed social housing system.¹²

11.15 While most witnesses noted the advantages of home ownership, some suggested that the focus on home ownership by governments often occurred at the expense of attention to other tenure types, particularly rental housing. As Dr Emma Baker from the University of Adelaide's Centre for Housing, Urban and Regional Planning told the committee:

I think in the past we have been myopic in just looking at home ownership, and I think renters of all variations are really important in terms of housing affordability.¹³

11.16 The CFRC took this point further, suggesting that declining rates of home ownership (as discussed in the next part of this chapter) were unlikely to be reversed by government policy. Rather than attempting to expand the size and significance of the first home buyer market, the CFRC argued, the government should instead focus on the policy and regulatory issues in the rental sector that were emerging due to declining home ownership rates.¹⁴

10 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 33.

11 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 32.

12 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 3.

13 Dr Emma Baker, Deputy Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 19.

14 City Futures Research Centre, UNSW, *Submission 152*, p. 8.

Home ownership trends in Australia

11.17 Overwhelmingly, the evidence received during this inquiry suggested that fewer Australians are becoming home owners, with the trend most evident in declining rates of first home buyers and younger age cohorts generally as a proportion of the home ownership market.

11.18 Appearing before the committee, the REIA referred to an 'exodus' of first home buyers from the housing market. It pointed to a number of indicators that fewer and fewer people were making the decision to purchase their first home:

In May [2014] the number of first homebuyers as a proportion of the owner-occupied finance commitments was 12.6 per cent. This is actually a slight rise from the figure of 12.3 per cent for November 2013 and April 2014, where the level was at its lowest since the ABS started collecting data in July 1991. Among the many factors behind this appalling statistic is economic sentiment amongst potential first homebuyers. Market confidence among first homebuyers has fallen, with the General Homebuyer Confidence Index slipping to 82.3 in March 2014, driven by fears around unemployment. The figure is at its lowest since 2007 and is significantly lower than the March 2004 figure of 99.¹⁵

11.19 In its submission, the REIA observed that while financing approvals had increased as interest rates had declined, the proportion of first home buyers receiving housing finance was declining, with the increase largely due to investors and changeover buyers.¹⁶

11.20 The REIA further noted that the decline in first home buyers was, unsurprisingly, translating into lower home ownership levels overall:

Over the five years to 2011, home ownership declined by 1.1 percentage points to 67.0% of occupied private dwellings. The drop was evident across all states and territories and was most pronounced in the 35 to 54 age group. In the decade to 2011, home ownership dropped by 4.5 percentage points for the 35 to 44 age group and by 5.5 percentage points for the 45 to 54 age group. The National Housing Supply Council, in its 2012-13 report, showed that it seemed certain that the rate of home ownership would drop further.¹⁷

11.21 Mr Eslake noted that the decline in home ownership rates had occurred in recent decades despite on-average lower mortgage interest rates:

What is also noticeable about the last twenty years is that—despite mortgage interest rates having been substantially lower, on average, over this period (7.59% pa over the past 20 years, compared with 11.95% over

15 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

16 Real Estate Institute of Australia, *Submission 88*, p. 3.

17 Real Estate Institute of Australia, *Submission 88*, p. 2.

the preceding 20), and despite unprecedented expenditure on grants to first home buyers—the overall home ownership rate has actually declined by 5 percentage points, to 67% at the 2011 Census, its lowest figure since the 1954 Census...¹⁸

11.22 Declining home ownership rates, AHURI noted, were most pronounced for younger people. Whereas 61 per cent of 25 to 34 year olds and 75 per cent of 35 to 44 year olds were home owners in 1981, by 2011 these figures had fallen to 47 per cent and 64 per cent respectively.¹⁹ Professor Yates also told the committee that the declining trend in home ownership could only be properly understood by assessing ownership trends by age group. She explained:

Although the aggregate home ownership rate in Australia has remained relatively stable at around 70% for the past 50 or so years, this can be attributed primarily to the effect of the ageing of a population that gained access to home ownership before the structural factors outlined above [in Professor Yates' submission] limited first time home purchase to moderate to high income households (often two-earner households) or those willing or able to live in less accessible locations. Between 1981 and 2006, home ownership rates for households aged between 25 and 34 years old declined by 10 percentage points and by seven percentage points for those between 35 and 44 years old. ABS survey data from 2009–10 suggest this trend has continued with age-specific home ownership rates falling a further 5 percentage points for each of these key age groups since 2006.²⁰

11.23 Referring to Professor Yates' research on the issue, Mr Eslake suggested that the decline in home ownership rates for younger people was due in part to changing preferences. These changing preferences included 'partnering and having children at older ages, and greater importance attached to proximity to employment or entertainment venues'. Nonetheless, Mr Eslake maintained that declining housing affordability was 'undoubtedly' a more important driver of the trend away from home ownership for younger age groups.²¹

11.24 Similarly, Uniting Voice suggested that the main reason the rate of young home owners had declined was declining affordability:

Taking as an example a qualified childcare worker who earns the modern award rate of pay, Census data from the past decade...reveals that the cost of an average first home mortgage repayment has increased from approximately 44% to 61% of the workers' wage. It is no surprise that 15 per cent fewer 25 to 44 year olds are purchasing houses today compared to twenty years ago.²²

18 Mr Saul Eslake, *Submission 2*, pp. 6–7.

19 Australian Housing and Urban Research Institute, *Submission 93*, p. ii.

20 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 2.

21 Mr Saul Eslake, *Submission 2*, pp. 6–7.

22 United Voice, *Submission 169*, p. 5.

First Home Owner Grants (FHOGs)

11.25 First home owner grants (FHOGs) are a demand-side direct subsidy intended to encourage home ownership. FHOGs, in one form or another, are a long established mechanism by which governments provide direct assistance to first home buyers.²³ Currently, each state and territory in Australia provides FHOGs, although the terms and conditions attached to the grants vary from jurisdiction to jurisdiction (see Figure 11.1). In most jurisdictions, FHOGs now include value caps (that is, they cannot be used for homes over a certain value) and are generally restricted to new housing, although in Western Australia a reduced grant is still available for established homes (\$3000, instead of the \$10,000 for new housing). The efficacy of FHOGs in improving housing affordability was a key concern for many witnesses in this inquiry.

11.26 The CFRC contended that demand-side subsidies to facilitate home ownership, if poorly designed, were inequitable, ineffective and inefficient:

- inequitable, to the extent they were utilised by higher income earners rather than lower income earners who remained in the rental market;
- ineffective, inasmuch as they only brought forward purchases that probably would have occurred anyway; and
- inefficient, in the sense they compounded price pressures, exposing vulnerable households to repayment stress and heightening macroeconomic risks.²⁴

11.27 Mr Eslake was also highly critical of FHOGs. He suggested that despite some \$22.5 billion (in 2011-12 dollars) being provided under various first home buyer schemes between 1964 and 2011, such grants had failed to improve housing affordability for first home buyers. In fact, Mr Eslake noted, home ownership rates had never increased above 70 per cent since peaking at 72 per cent in 1961. He argued that it was:

...hard to think of any government policy that has been pursued for so long, in the face of such incontrovertible evidence that it doesn't work, than the policy of giving cash to first home buyers in the belief that doing so will promote home ownership.²⁵

11.28 Indeed, Mr Eslake argued, rather than improving affordability for first home buyers, first home owner cash grants actually served to:

23 For background on FHOGs in Australia, see Australian Housing and Urban Research Institute, *Submission 93*, p. 2

24 City Futures Research Centre, UNSW, *Submission 152*, p. 4.

25 Mr Saul Eslake, *Submission 2*, p. 7. Mr Eslake's findings were endorsed by the Australia Institute. The Australia Institute, *Submission 92*, p. 8.

...exacerbate the already substantial imbalance between the underlying demand for housing and the supply of it.

In those circumstances, cash handouts for first home buyers have simply added to upward pressure on housing prices, enriching vendors (and making those who already [own] housing feel richer) whilst doing precisely nothing to assist young people (or anybody else) into home ownership. For that reason, I often think that these grants should be called 'Existing Home Vendors' Grants'—because that's where the money ends up—rather than First Home Owners' Grants.²⁶

11.29 Despite this criticism, Mr Eslake welcomed the fact that in recent years every state and territory had either abolished or substantially reduced grants to first home buyers purchasing existing dwellings. He added:

I have no doubt that some of the increased grants to first time buyers of new homes will end up boosting developers' or builders' profits: but I accept that at least some of it will induce a supply side response to any resulting increase in demand for new homes, while considerably fewer taxpayers' dollars will be wasted inflating the prices of existing homes.²⁷

11.30 Other submitters also provided evidence suggesting that FHOGs should not be available for existing housing stock. Noting that FHOGs had been introduced in 2001 to offset the impact of GST on new houses for first home buyers, JELD-WEN argued that the 'chronic' mismatch between housing demand and supply indicated that:

...demand-side grants and subsidies for the purchase of existing housing, such as the First Home Owners Grant (FHOG) should be eschewed.²⁸

11.31 JELD-WEN continued that because the FHOG (as introduced in 2001) had been made available for established as well as new homes—despite established homes not incurring GST—more purchase activity had shifted from new housing to established housing. This, according to JELD-WEN, demonstrated that:

...demand-side subsidies to reduce deposit gaps can be self-defeating if subsidies become capitalised into house prices, particularly in supply-constrained markets.²⁹

26 Mr Saul Eslake, *Submission 2*, p. 9.

27 Mr Saul Eslake, *Submission 2*, p. 9.

28 JELD-WEN Australia, *Submission 54*, p. 4.

29 JELD-WEN Australia, *Submission 54*, p. 4.

Table 11.1: Summary of First Home Owner Grants by jurisdiction

Jurisdiction	Arrangements
NSW	From 1 July 2014, the value cap for the \$15,000 FHOG for new homes was lifted to \$750,000. The grant reduces to \$10,000 from 1 January 2016. The grant is available to Australian citizens and permanent residents and is subject to a six month principal place of residence requirement.
VIC	Since 1 July 2013, first home buyers of new homes have been entitled to a \$10,000 grant on purchases valued up to \$750,000.
QLD	Since 12 September 2012, a \$15,000 grant has been available for the purchase of eligible new homes valued up to \$750,000.
WA	Since 25 September 2013, a \$10,000 grant has been available for the purchase or construction of a new home. A grant of \$3,000 is available for the purchase of an established home. The grant is capped up to the value of \$750,000 for homes below the 26th parallel or \$1,000,000 above the 26th parallel.
SA	On 15 October 2012, the FHOG was increased to \$15,000 for purchases of eligible new homes. At that point the FHOG for eligible established homes was reduced to \$5,000, and abolished on 1 July 2014. From 17 September 2010, a property value cap of \$575,000 applies for properties otherwise eligible for the FHOG.
TAS	In addition to the \$7,000 FHOG, a First Home Builder Boost of up to \$8,000 was available to eligible first home buyers who entered into a contract to purchase or build a new dwelling in the period 1 January 2013 to 30 June 2014. A further boost of \$23,000 was available to first home buyers who built or bought a new home in the period 1 July 2014 to 31 December 2014. From 1 January 2015 to 30 June 2015, the total assistance available to eligible first home buyers is \$20,000 and from 1 July 2015 onwards, eligible first home buyers will receive total assistance of \$10,000. The FHOG for first home buyers of established homes ceased on 30 June 2014.
NT	From 13 May 2014, the FHOG was increased to \$26,000 for new homes, and the value cap was removed for new homes. The first home owner grant for established homes ceased on 1 January 2015.
ACT	From 1 September 2013, FHOGs are only available on the purchase of a new or substantially renovated property. A grant of \$12,500 per eligible application is available, with a property cap of \$750,000.

Source: The Treasury (NSW), *Interstate Comparison of Taxes 2014-15*, Research and Information Paper (November 2014), pp. 17-18.

11.32 According to AHURI, the fact that FHOGs are not subject to means testing means that in effect they tend to be utilised by first homebuyers who would have entered the market eventually anyway.³⁰ The Equality Rights Alliance also argued

30 Australian Housing and Urban Research Institute, *Submission 93*, p. 4.

that FHOGs would be more effective if they were better targeted through means testing, rather than through value caps. It noted that the 2004 Productivity Commission report on first home owners had found that the lack of targeting of FHOGs resulted in the bulk of assistance going to 'families who might otherwise have purchased a house before too long, even without assistance'.³¹ NT Shelter also recommended means testing FHOGs for the same reason.³²

11.33 A number of submitters recommending abolishing FHOGs and redirecting the funding to more effective and efficient housing affordability measures. The Victorian Public Tenants Union suggested FHOGs should be abolished and replaced with 'significant stamp duty discounts and/or other incentives to attract first time new home purchasers'.³³ Tamworth City Council, meanwhile, suggested that direct subsidies to first home buyers should be reconsidered, with the funding perhaps better spent by being reinvested 'back into affordable housing schemes'.³⁴ In a joint submission, a group of housing researchers from Swinburne University of Technology argued that FHOGs should be scrapped, with the savings rolled into the NAHA and used to expand home equity programs such as Western Australia's Keystart Home Loan program (which is discussed further below).³⁵

11.34 Not all witnesses were critical of FHOGs, and some questioned whether it was appropriate or necessary to limit the availability of such grants to new housing. Asked for its view on how FHOGs impacted on the housing market, HomeStart Finance (a South Australian Government-created financial institution that, as noted later in this chapter, provides finance for affordable home ownership) conceded that such grants probably did inflate house prices. However, HomeStart also considered FHOGs a useful contribution to the equity first homebuyers could use to move into home ownership. HomeStart further noted that it had not seen any evidence that the recent removal of the \$5000 first home buyer's grant for established houses in South Australia had led to a commensurate fall in home prices.³⁶

11.35 The REIA argued in support of FHOGs generally and their availability for established homes specifically. That availability, REIA argued, was an important short term means of encouraging first homebuyers into the market until longer term supply side issues were addressed.³⁷

31 Productivity Commission, *First Home Ownership*, Australian Government, Canberra, 2004, as cited in Equality Rights Alliance, *Submission 95*, p. 5.

32 NT Shelter, *Submission 118*, p. 4.

33 The Victorian Public Tenants Association, *Submission 40*, p. 4.

34 Tamworth Regional Council, *Submission 12*, p. 2.

35 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 9.

36 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 4.

37 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

11.36 In addition to noting that only a small proportion of first home buyers purchased new homes (18.6 per cent in 2011-12), the REIA also suggested that even when first home buyers purchased established dwellings, there was a positive supply effect:

Another dynamic of the housing market is that sales of established homes to first home buyers in many cases lead to purchases of new housing by the sellers. In these cases the multiplier and employment effects are probably greater than where a first home buyer purchases a new house. Furthermore first home buyers of established homes usually embark on a program of home improvement and renovation providing a stimulus to the building sector.³⁸

11.37 The REIA conceded that econometric work showed that *at times* FHOGs could lead to price increases. However, it noted that this effect depended on 'the sort of elasticity of the supply curves and the response of the supply to increased demand from these schemes.' It suggested that by and large FHOGs had helped first home buyers rather than inflating prices. It further observed that prices had continued to rise in Sydney since the withdrawal of FHOGs for existing housing.³⁹

11.38 Home Loan Experts also argued in favour of first home owner grants, suggesting they were effective in helping new buyers, and in particular young buyers, into home ownership as well as driving new construction.⁴⁰

First Home Saver Accounts

11.39 The now-defunct First Home Saver Account (FHSA) scheme was introduced in 2008 to help prospective home owners save for a deposit. FHSAs were provided by ordinary financial institutions, and account holders received a 17 per cent contribution from the government on the first \$5,000 they deposited in each year that contributions were made. Certain conditions needed to be met before the money could be accessed, including that the account needed to be open for at least four years. If a FHSA account holder built or bought a home before four years had passed, the account would become inactive, and the funds could be paid against the account holder's mortgage after the four year qualifying period was reached. Account monies could also be rolled into superannuation at any time. As of June 2014, there were 49,400 FHSAs, containing \$616.8 million.⁴¹

11.40 In the 2014–15 Budget, the government announced the abolition of the FHSA scheme.

38 Real Estate Institute of Australia, *Submission 88*, p. 5.

39 Mr Jock Kreitals, Manager, Policy, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 75–76.

40 Home Loan Experts, *Submission 5*, p. 1.

41 Figures from APRA, First Home Saver Accounts, <http://www.apra.gov.au/crossindustry/FHSA/Pages/default.aspx>.

11.41 In a submission made prior to the abolition of the FHSA scheme, the ABA explained that the complexity of FHSAs, and the restrictions placed on them, meant that many banks had decided not to offer them and would-be home buyers had not taken them up in great numbers. As such, the ABA had recommended removing the four-year qualifying rule to 'make these products simpler and more customer focused'.⁴²

11.42 Speaking after the abolition was announced, the REIA made a similar point, telling the committee that the FHSA scheme had been 'unnecessarily complex', and the four-year qualifying rule had meant take-up rates were relatively low. Nonetheless, the REIA suggested that the 'concept was good but some of the details needed revisiting'.⁴³

11.43 The Customer Owned Banking Association, in a submission made prior to the abolition of the scheme, informed the committee that its members viewed FHSAs as 'vital in encouraging and supporting' first home buyers. It suggested, however, that the restrictions that applied to the scheme should be significantly revised.⁴⁴

Access to superannuation for a home deposit

11.44 Several witnesses argued that there might be merit in allowing first home buyers to access their superannuation to build a home deposit.

11.45 HomeStart Finance, for instance, suggested that most people would aspire to have two assets by the time they retired: superannuation, sufficient to finance a comfortable retirement; and a home that they owned.⁴⁵ On the basis that a home constitutes a form of retirement wealth, HomeStart Finance argued that it might be worth considering a scheme that allowed would-be homebuyers to access part of their superannuation to enter the home ownership market. Specifically, HomeStart referred to a Canadian scheme which allows first-home buyers to access up to \$25,000 of their superannuation, which in turn they would need to repay to their superannuation account over a period of no more than 15 years.

[I]n looking wider than Australia and endeavouring to find a solution to the key issue of raising a deposit, we do believe there is merit in considering the Canadian Home Buyers' Plan, which allows Canadian first-home buyers to have access to a capped portion of their retirement plan or superannuation to assist [in the] purchase [of] a house.⁴⁶

42 Australian Bankers' Association, *Submission 197*, p. 12.

43 Mr Jock Kreitals, Manager, Policy, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 73.

44 Customer Owned Banking Association, *Submission 146*, pp. 3–4.

45 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 5.

46 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2; HomeStart Finance, *Submission 72*, pp. 17–18.

11.46 The REIA was supportive of the idea of allowing first homebuyers to access their superannuation to purchase a home, and argued that such schemes have 'proven to be successful in Canada, New Zealand and Singapore'.⁴⁷ Like HomeStart Finance, the REIA argued that superannuation and home ownership:

...are both components of a retiree's 'nest egg' and not competing products. By buying earlier in life retirees have every prospect of having a higher equity on retirement and a larger 'nest egg' on downsizing.

Furthermore, access to superannuation for the purchase of a first home by helping reverse the trend of falling home ownership, addresses the looming large policy problem of large numbers of long-term renters aged 45 years and over remaining in the rental sector and possibly requiring rental support in later years.⁴⁸

11.47 Asked about the possibility of allowing people to access their superannuation to purchase a home, Mr Simon Schrapel from Uniting Communities told the committee that any moves that brought 'additional capital into the market would help, and superannuation is certainly one form [of capital]':

If it can be freed up—with certain controls, obviously, so that people still have a retirement income upon their retirement—and it can be used more productively during their working years, when they need housing, then I think it is worthwhile pursuing.⁴⁹

11.48 The Victorian Public Tenants Association argued that one of the main barriers to home ownership for many people was their inability to build a deposit. It argued:

Allowing access to one's own superannuation investment would help address this particularly where the ongoing mortgage repayment is affordable and replaces the rent being paid. The other benefits of such an arrangement include freeing up some additional rental stock—lessening the competition for affordable rental properties and providing a greater stimulus to the economy via increased building and related services.⁵⁰

11.49 In contrast, ASFA argued against allowing an early release of superannuation savings for the purpose of acquiring property, suggesting that for the superannuation system to be effective 'any payments made from it should be in the form of income in retirement' (except in the event of death, disability or extreme financial hardship). In addition to suggesting the early release of superannuation would undermine the compounding effect on the value of savings, it could also be argued that any early

47 Real Estate Institute of Australia, *Submission 88*, pp. 5–6; Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 72–73.

48 Real Estate Institute of Australia, *Submission 88*, pp. 5–6.

49 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 32.

50 The Victorian Public Tenants Association, *Submission 40*, p. 2.

release 'would only serve to further inflate house prices and make housing less affordable than it is at present'.⁵¹

Shared equity schemes

11.50 Shared equity schemes were raised by numerous witnesses as a promising means of helping people on low and moderate incomes purchase a home. In shared equity arrangements, 'the consumer shares the capital cost of purchasing a home with an equity partner in return for a share of any home price appreciation that occurs'.⁵² Shared equity schemes are often government-administered or supported, although in Australia a number of unsubsidised, private sector-led shared equity products also exist. As an AHURI research paper explained, shared equity arrangements can have certain advantages over conventional mortgage arrangements for low to moderate homebuyers, including enhancing affordability by reducing both deposit requirements and ongoing housing costs.⁵³

11.51 Western Australia's Keystart Shared Ownership Home Loan Scheme was one existing shared equity scheme commended by several witnesses. Keystart is designed to assist low to moderate income earners purchase a share in a home. The Western Australian Department of Housing co-owns the property up to a 40 per cent share depending on the buyer's income and household size. Later, when the buyer can afford it, they may be able to purchase all or part of the Department of Housing's share in the property and become an outright owner.⁵⁴ As the Department of Housing explained to the committee, Keystart began in 1989, and is funded through state debt, with its profits returned to the Department. (Keystart has been profitable for 24 of its 25 years of operation, having only made a loss in 1999.) Keystart operates as a low-deposit scheme, and is only available to people under a certain income threshold. It is not, however, a low-interest scheme, and rates are set to an average of the rates of the big four banks.⁵⁵

11.52 The Department of Housing told the committee that Keystart had proven 'a wonderful success story'. In addition to helping more than 85,000 Western Australians

51 The Association of Superannuation Funds of Australia, *Submission 130*, p. 7.

52 Simon Pinnegar, Hazel Easthope, Bill Randolph, Peter Williams and Judith Yates, *AHURI Final Report No. 137*, 'Innovative financing for homeownership: the potential for shared equity initiatives in Australia' (August 2009), pp. 1–2.

53 Pinnegar et al., 'Innovative financing for homeownership', pp. 1–2.

54 See <http://www.keystart.com.au/home-loans/shared>.

55 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, pp. 4–5.

become home owners over a period of 25 years⁵⁶, Keystart borrowers had lower than average rates of arrears. The Department explained the likely reasons for this:

Keystart has got really robust and solid processes coming in for education of mortgagors, understanding their personal debt limits; understanding their saving programs; working really hard to support those tenants so that as they transitioned into homeownership they knew what they were getting themselves in for; and then a rigorous follow-up program as soon as people looked like they were in trouble to make sure they respond appropriately. We think some of this is because these people know this is their only chance. This is the one chance they are going to get and, if they do not grab this with both hands and make the most of it, they are not going to get a second chance. We think that is reflected in their mortgage repayments.⁵⁷

11.53 The Department of Housing explained that its SharedStart loans—one of the loans offered under Keystart—was in part directed toward helping would-be home owners provide a deposit:

One of the big market problems—not at the bottom quartile, but it will get a lot of people out of rental—is the issue of deposits. The difference between rent and mortgage payments is not huge. It is relatively small. But the problem is, with a median house price at \$450,000, who can save \$45,000 for a deposit? Even on good incomes, who can save that money in a short period of time? One of the really interesting things to come out of our review of Shared Start by PricewaterhouseCoopers and AHURI was their estimate that it got people into home ownership 11 years earlier. That is a huge period of time.⁵⁸

11.54 The ACT Government noted that its own shared equity scheme for public housing tenants was helping facilitate 'successful transitions into home ownership' while releasing 'valuable public housing resources for allocation to people in greatest need'.⁵⁹ The ACT Government also referred to its Land Rent Scheme as a 'prime example' of its innovative housing affordability programs:

The scheme, which has proven extremely popular, reduces the entry costs for moderate income households to enter the home buyer market by allowing purchasers to initially rent a block of land from the Government, rather than purchasing it outright when building their home.⁶⁰

56 This is noted on <http://www.keystart.com.au/about-us/about-us>. The Department of Housing told the committee that over 25 years 57,545 loans had been issued. Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 5.

57 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 5.

58 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 8.

59 ACT Government, *Submission 162*, p. 1.

60 ACT Government, *Submission 162*, p. 1.

11.55 Housing Tasmania explained to the committee that most states and territories already offered shared equity schemes in one form or another, especially for public housing tenants. It noted:

Housing Tasmania has two homeownership assistance programs, HomeShare and Streets Ahead. HomeShare was introduced by the Tasmanian Government in December 2008 to assist Tasmanians on low to moderate incomes with home ownership. It supports first home ownership and stimulates new housing constructions. The program allows a home buyer to purchase an existing home owned by the Director of Housing or newly constructed homes. Under HomeShare, the Director retains approximately 25 per cent equity share in the purchase property or a maximum contribution of up to \$50,000 towards the purchase price. By sharing the costs of purchase, households are able to buy properties which otherwise would be unaffordable.

Streets Ahead provides financial assistance up to \$7,000 and other support to households on low and moderate incomes to become homeowners. The additional support includes independent financial council, free independent building report and advice on property valuation information. An Essential Maintenance Package is also available to Streets Ahead purchasers to provide financial assistance worth up to \$2,000 for major maintenance items such as hot water cylinders.⁶¹

11.56 A number of witnesses spoke in support of shared equity schemes such as Keystart. For instance, Mr Eslake called for:

...expanding or replicating programs like Western Australia's 'Keystart' scheme which assist eligible people to become home owners on a 'shared equity' basis, with eligibility being subject to a means test, and which creates a 'revolving fund' as the 'shared equity' is returned to the State Government upon sale.⁶²

11.57 More broadly, AHURI told the committee that state government-operated shared equity schemes had been effective in facilitating home ownership for people on low incomes. AHURI pointed to research demonstrating that shared equity schemes were more effective than FHOGs at helping low-income earners to become home owners. AHURI noted that the success of shared schemes was likely contingent on certain design features, including allowing shared equity owners to 'step up' their equity over time to become outright owners:

Such schemes are predicted to increase (in the short run) the share of home ownership taken up by lower income households by 8.8 percentage points. However, capping the proportion of equity taken by the limited partner significantly reduces the number of tenant income units predicted to enter shared equity home ownership arrangements. Reluctance by financial

61 Housing Tasmania, *Submission 217*, pp. 3–4.

62 Mr Saul Eslake, *Submission 2*, p. 15.

institutions to purchase high equity shares would severely limit the short-term effectiveness of a shared equity scheme.⁶³

11.58 AHURI also noted that while most government housing policies are not tied to new supply, shared equity schemes could be designed to promote new housing stock. For instance, SharedStart loans in Western Australia are 'explicitly linked to new build thereby promoting increased supply'.⁶⁴

11.59 Some witnesses suggested that shared equity schemes were a potentially useful means by which vulnerable groups with particular housing needs might be assisted into home ownership. For instance, Carers Victoria recommended that the Commonwealth government give careful consideration to:

...the scaling up of mixed equity schemes. Planning and analysis...is likely to show that there is a significant population of people with a disability (and their families) who have a small source of capital. This may be sufficient to exclude them from access to social housing but be insufficient to allow them to purchase a home, given that incomes of people with a disability are often low. There may be significant cost-benefits for the government in providing assistance in the form of equity to allow home purchase.⁶⁵

11.60 The committee also heard that some commercial banks and financial institutions were offering shared equity products in cooperation with social housing providers and government agencies. The ABA informed the committee that shared equity loans offered by the some banks 'allow borrowers to secure higher finance for a purchase, but share the increase in value when the property is sold or refinanced.'⁶⁶

11.61 Rismark told the committee that in 2007, in conjunction with Bendigo and Adelaide Bank, it had launched the Equity Finance Mortgage (EFM). EFMs, Rismark explained:

...provide households a means of financing homeownership without regular interest and debt servicing payments in return for sharing a minority portion of the capital gains in their home. The EFM provides finance for 20% of the value of a home. When it is repaid at maturity, or any earlier time at the borrower's election without penalty, the borrower must repay the initial principal borrowed plus 40% of the appreciation in the property during the term of the EFM.

From the home owner's perspective, they obtain 100% of the benefit of living in the home (otherwise known as imputed rental income) and 60% of

63 Australian Housing and Urban Research Institute, *Submission 93*, pp. 3–4.

64 Australian Housing and Urban Research Institute, *Submission 93*, pp. 8–9.

65 Carers Victoria, *Submission 110*, p. 6.

66 Australian Bankers' Association, *Submission 197*, pp. 10, 16.

the appreciation in the home, while the EFM funder receives zero rent, but, 40% of the appreciation.⁶⁷

11.62 Some witnesses noted that shared equity schemes had also proven successful overseas. In its submission, the REIA referred to a shared equity scheme in the United Kingdom for first home buyers:

The UK also has an equity scheme for first time buyers, although directed at new dwellings valued to £600,000. Buyers need a 5% deposit. The government then contributes 20% interest free for five years with the remaining 75% being a conventional mortgage. After five years the 'equity loan' attracts a fee of 1.75% of the loans value, which is adjusted each year to the CPI. The 20% loan has to be paid back when you sell.⁶⁸

Financing support, including HomeStart Finance

11.63 The committee also considered financing support options for low to moderate income home buyers, including support provided by South Australia's HomeStart Finance. HomeStart is a South Australian statutory corporation which provides home loans to low and moderate income earners, including finance on concessional or special terms. Approximately half of HomeStart's loans are made to first home buyers, many of whom are not in full-time work or receive Centrelink benefits.⁶⁹ While HomeStart issues loans to customers who would not typically meet the income or deposit requirements of mainstream lenders, it maintains that its loans are not 'low doc' or 'subprime'; rather, it has strict credit and documentation criteria. Importantly, while the arrears rate for HomeStart mortgages sits above that of mainstream prime mortgages, HomeStart noted that this rate is 'materially better' than that experienced by subprime lenders.⁷⁰ Mr John Oliver, HomeStart's Chief Executive Officer, told the committee:

We provide finance to people who can afford the loan, have good credit history and have shown over the years they are willing to make sacrifices to ensure they attain homeownership rather than rely on private, public or social rental housing. To emphasise this point, over our 25 years we have lent more than \$6 billion for housing. Our loan losses are less than \$30 million—quite an outstanding achievement if you reflect on the fact that our customer base was initially not good enough for a bank loan.⁷¹

11.64 HomeStart advised the committee that since its creation in 1989 by the South Australian Government, it has helped 64,000 households become home owners, and

67 Rismark International, *Submission 64*, p. 4.

68 Real Estate Institute of Australia, *Submission 88*, p. 8.

69 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

70 HomeStart Finance, *Submission 72*, pp. 1–13.

71 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2.

HomeStart estimates that 80 per cent of those households would not have been able to access finance from a mainstream lender. HomeStart has a current loan portfolio of \$1.9 billion (as of 2014), and has returned a profit in every year of its operation.⁷²

11.65 HomeStart Finance explained to the committee that it helped homebuyers overcome up-front costs and enhance their borrowing power, with the ultimate aim of transitioning customers to mainstream financial institutions once they had sufficient equity in their home. It further explained that it did not compete with the private sector, which would not provide housing finance for the niche market it operated in. HomeStart told the committee:

There is little discussion about the actual financing options available that contribute to homeownership because of an apparent belief that the private sector—that is, mainstream financial institutions—provide the answer to that issue. We do not believe that is always the case. There exists a group of people who do not fit the bank criteria but who are creditworthy, capable of homeownership and deserve a hand up rather than just a handout—and there exists our niche.⁷³

11.66 Asked why there was not a niche private market for the product that HomeStart provided, given the low default rates and the fact that HomeStart avoided taking on too high a risk profile, HomeStart explained that it offered high LVR loans without charging mortgage insurance, something private lenders would not do:

We play at the pointy end of the lending margins. A lot of the lending we do is at the upper end of the loan-to-valuation scale. We are here for people who have low deposits but who are creditworthy. With most banks and other financial institutions if you need to borrow more than 80 per cent you have to pay lenders mortgage insurance. That is a significant cost. ... If you go through a bank, on a \$300,000 loan the lenders mortgage insurance is something like \$8,000 to \$10,000. We self-insure. We have a loan protection charge and that caps out for us at \$2,500. So on that particular transaction the cost to the borrower, depending on their loan to valuation ratio, is probably around \$1,500.⁷⁴

11.67 HomeStart explained that whereas most banks will allow borrowers to only go to a 95 per cent LVR (with mortgage insurance), HomeStart would lend up to 97 per cent LVR for some borrowers—for instance, graduates and people with certain trade qualifications.⁷⁵

72 HomeStart Finance, *Submission 72*, p. 1.

73 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 1–2.

74 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 3.

75 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 3.

11.68 HomeStart Finance argued that it would be relatively simple and inexpensive to replicate HomeStart in other jurisdictions. Mr Oliver told the committee:

You simply need some capital and then you obviously have to have the systems, the processes and the infrastructure behind that. We basically run HomeStart as a stand-alone financial institution. I liken us to the credit union type philosophy, if you like. We have 95 people. We self-insure. We run our own technology. Our loan products are quite different from the way banks normally look at loan products—for example, the way they calculate repayments and the way they work through interest rate cycles. It is eminently replicable, and we have 25 years that say and show that it can be done. It does not take hundreds and hundreds of millions of dollars, and you are not necessarily putting the state to any degree of unsustainable financial risk.⁷⁶

11.69 HomeStart conceded that the difficult history of state-owned financial institutions perhaps made other states reluctant to set up HomeStart-type schemes. However, Mr Oliver argued that this reluctance was not well grounded:

I was in New South Wales when HomeFund failed and cost the state government there something like \$800 million. We do tend to run under a little bit of the shadow here of the failure of the State Bank of South Australia. That said, the state bank here did not lose one single, solitary cent on home mortgages; it lost it all on commercial lending. We only lend for mortgages. There certainly seems to be a view within bureaucrat world, for want of another way of saying it, that governments should not own financial institutions. I think we prove that they can and that they can be very, very successful.⁷⁷

11.70 The HomeStart model received support from a number of witnesses. These included researchers from the University of Adelaide's Centre for Housing, Urban and Regional Planning, who told the committee that research they had undertaken had found that 'HomeStart has a very positive impact on the wellbeing of the recipients of their mortgages'.⁷⁸ The Victorian Public Tenants Association suggested that other state governments should replicate the HomeStart scheme.⁷⁹

11.71 Some witnesses also referred to international approaches to credit support that might be worth considering in Australia. For example, WALGA referred to the 'Local Lend a Hand' mortgage scheme launched in the UK by one the main banks, Lloyds TSB:

76 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

77 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

78 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 10.

79 The Victorian Public Tenants Association, *Submission 40*, p. 3.

Local Governments work in partnership with the bank to help 'first buyers' borrow with a lower deposit than is usually needed. In summary, the Local Government acts as a guarantor whilst earning interest on their investment, an arrangement benefiting both parties. To date 53 schemes have been launched with 47 Local Governments helping more than 1,100 first-time buyers get on the property ladder, kick starting local property chains. Three quarters of councils say the scheme has a demonstrable impact on local areas.⁸⁰

Indigenous home ownership

11.72 Indigenous home ownership participation is currently 37.4 per cent, well below the average for other Australian households of 69.6 per cent. Indigenous Business Australia (IBA)⁸¹ detailed systemic barriers to home ownership faced by Aboriginal and Torres Strait Islander people in its submission. These barriers are both financial and non-financial, general (that is, experienced by non-Indigenous people) and unique to Aboriginal and Torres Strait Island people.⁸²

11.73 Barriers to Indigenous home ownership also differ substantially from region to region, and community to community. As the ABA pointed out in its submission:

For Indigenous peoples living in very remote and remote locations, home ownership will necessarily require greater support through Indigenous-targeted strategies and public housing programs. For Indigenous peoples living in regional areas, home ownership will likely involve support promoting the engaged and informed participation of Indigenous peoples in the mainstream property market as well as promoting the capacity of Indigenous peoples to develop a real property market on Indigenous lands. For Indigenous peoples in urban areas and major cities, home ownership will likely involve support through Indigenous-targeted and non-targeted strategies and initiatives aimed at housing affordability.⁸³

11.74 There are currently a range of government and government-supported programs aimed at addressing the barriers to affordability for Aboriginal and Torres Strait Islander home buyers. In addition to the Commonwealth's Indigenous Home Ownership Program, which is administered by the IBA and provides concessional loans and case management support to clients who do not qualify for bank finance,⁸⁴ there are also:

80 Western Australian Local Government Association, *Submission 37*, p. 13.

81 IBA is an Australian Government statutory authority created to assist and enhance the economic and development opportunities of Aboriginal and Torres Strait Islander people. It operates economic development programs spanning home ownership, business development and larger scale investments. Indigenous Business Australia, *Submission 203*, p. 9.

82 For detail on these barriers, see Indigenous Business Australia, *Submission 203*, pp. 11–16.

83 Australian Bankers' Association, *Submission 197*, p. 19.

84 For detail, see Indigenous Business Australia, *Submission 203*, pp. 20–29.

...a range of State and Territory government targeted programs that assist Aboriginal and Torres Strait Islander home buyers, such as stamp duty exemptions or discounts, shared equity schemes, concessional interest loans, and public housing tenant sales schemes. Additionally, there are specific strategies in place in some jurisdictions to address the particularly complex barriers to home ownership on Indigenous land and discrete Indigenous communities.⁸⁵

11.75 IBA noted that FHOGs and stamp duty concessions have been particularly important in helping a large number of Indigenous Australians move into home ownership. IBA expressed concern that:

...decisions by some jurisdictions since 2011 to change their First Home Owners Grants and stamp duty concession schemes, especially by reducing or abolishing the grant for the purchase of existing homes, has had a significant adverse impact on the ability of Indigenous Australian to obtain finance from commercial lenders and/or IBA.⁸⁶

11.76 With regard to recent moves by some jurisdictions to restrict the use of FHOGs to the construction of new dwellings, IBA expressed its concern that this was:

...impacting on home ownership opportunities for a significant segment of potential Indigenous home owners by excluding the option of purchasing existing properties with a minimal deposit. There will be a particular disadvantage to potential Indigenous home owners seeking to purchase a home in rural and remote areas that have high construction costs and limited access to suitable land.⁸⁷

11.77 Given Indigenous people make up a relatively small proportion of the overall population (3 per cent), with potential homebuyers in this segment smaller still, IBA suggested that this direct assistance 'would not have the inflationary and other distortionary effects on the housing market as has been argued in relation to the general application of concessions and subsidies'. Conversely, to the extent fewer Aboriginal and Torres Strait Islander people are able to access finance from the IBA or the banks, IBA argued, this would impose:

...a significant opportunity cost in terms of the economic and social benefits that would have accrued through increased rates of Indigenous home ownership. In the long term, this cost is compounded by the intergenerational effect—including retarding wealth accumulation and retirement savings.⁸⁸

11.78 IBA recommended that all jurisdictions:

85 Indigenous Business Australia, *Submission 203*, pp. 4–5.

86 Indigenous Business Australia, *Submission 203*, p. 5.

87 Indigenous Business Australia, *Submission 203*, p. 31.

88 Indigenous Business Australia, *Submission 203*, pp. 5–6.

...target application of the First Home Owners Grants and stamp duty relief to low to medium income Indigenous Australians regardless of whether they are purchasing an existing or new home. This will facilitate more Indigenous Australians being able to access home loans from mainstream financial institutions, in addition to those who may qualify for IBA assistance.⁸⁹

11.79 IBA also addressed the need to improve pathways from social housing to home ownership for Aboriginal and Torres Strait Islander people, recommending that states and territories:

...strengthen the focus on support mechanisms that facilitate transfer of social housing into private ownership. Moreover, IBA encourages closer collaboration between state and territory government programs and loan providers, including IBA, to strengthen the pathway between social housing rental and home ownership.⁹⁰

11.80 For its part, the ABA outlined a wide range of measures that the Australian Government might implement to assist Indigenous people who wish to become home owners. Such measures, ABA wrote, might include financial supports, such as subsidies, security guarantees, concessional loans and loan support schemes, shared equity schemes, and so on. The ABA noted that the government could also assist Indigenous home buyers with financial literacy, counselling and mentoring services, and the like.⁹¹

11.81 The ABA also suggested that banks themselves should review their product offerings with a view to providing products that both meet Indigenous peoples' needs and the banks' commercial interests and legal responsibilities. It recommended that:

...given the complexity of the factors surrounding Indigenous home ownership and social and financial inclusion, the Federal Government should task the Indigenous Advisory Council to develop policies on home ownership and housing options for Indigenous Australians, and more broadly strategies to address rental and housing affordability for Indigenous Australians across regions.⁹²

Committee view

11.82 While governments should devote their attention to improving affordability outcomes for all types of housing tenure, the committee considers that it is appropriate for governments to promote home ownership. The committee agrees with the point made by a number of submitters that home ownership can be an important means for

89 Indigenous Business Australia, *Submission 203*, p. 6.

90 Indigenous Business Australia, *Submission 203*, p. 6.

91 Australian Bankers' Association, *Submission 197*, p. 20.

92 Australian Bankers' Association, *Submission 197*, p. 20.

people to achieve financial and social wellbeing, and that high rates of home ownership also provide broader economic and social benefits to the community.

11.83 The committee notes recommendations from some witnesses that first home buyers should be allowed to draw on or borrow from their superannuation balances to contribute to a home deposit. While recognising the positive intent underlying such proposals, the committee believes providing first home buyers with access to their superannuation would significantly add to demand-side pressures, with the extra money available to first home buyers ultimately capitalised into higher housing prices. Moreover, such moves would leave Australian workers with less money at retirement, and more broadly compromise the integrity of Australia's retirement savings system.

11.84 The committee believes that the government should, however, give consideration to other schemes that may help would-be first home buyers build a deposit or otherwise access finance (with the important caveat that such schemes should not facilitate access to debt that home buyers cannot service). In particular, the committee believes that shared equity schemes are a particularly promising mechanism for helping low to moderate income earners purchase their first home, and notes the success of government-backed schemes such as HomeStart in South Australia and Keystart in Western Australia in responding to purchase affordability constraints. The committee also welcomes the emergence of private-sector shared equity products, and believes such products have the potential to become an important means in helping more Australians own their home. The committee also notes that specialised shared equity schemes may help specific groups of people, such as Indigenous Australians, become home owners.

11.85 The committee is less convinced that first home buyer grants are an equitable, efficient or effective means of assisting first home buyers. To the extent that states continue with such schemes, the committee believes they should be subject to value caps and limited to new housing stock (as many now are). Exceptions to the new housing stock requirement might be appropriately applied for certain groups of home buyers where there is a compelling policy case to do so, such as for Aboriginal and Torres Strait Islander home buyers in rural and remote areas where new housing stock is prohibitively expensive. The committee further believes that the positive effect of first home owner grants would likely be enhanced if they were better targeted through the use of appropriate means testing.

Recommendation 14

11.86 The committee recommends that, to the extent state and territory governments maintain first home buyer grants, they apply appropriate value caps and limit their availability to new housing stock (with appropriate exceptions for certain groups of buyers), and consider introducing means testing to ensure that the grants are appropriately targeted.

Recommendation 15

11.87 The committee recommends that the Australian Government consider introducing a scheme designed to assist first home buyers save for a home deposit, drawing as appropriate on the experiences of the First Home Save Account scheme.

Recommendation 16

11.88 The committee recommends that all governments, through the proposed ministerial council on housing and homelessness (see recommendation 2) or another appropriate intergovernmental forum, investigate ways to expand shared equity programs, including both government-backed and private-sector backed programs. The committee further recommends that, as part of this process, consideration be given to other mechanisms to facilitate affordable home ownership, such as community land trusts, rent to buy schemes, and the like, and consider the inclusion of such mechanisms within the national affordable housing plan proposed at recommendation 4, or the National Affordable Housing Agreement.

Chapter 12

Older people and home ownership

12.1 Dr Debbie Faulkner, a research fellow at the University of Adelaide's Centre for Housing, Urban and Regional Planning, told the committee that housing affordability issues for older people are often overlooked, 'because we just assumed they have home ownership'. However, home ownership rates for older Australians, like home ownership rates overall, are trending lower, from 81 per cent of over-65s today to a projected 55 per cent by the middle of the century. This trend, Dr Faulkner told the committee, is being driven not only by people not taking on home ownership, but by people falling out of home ownership for a range of reasons.¹

12.2 In part, the declining trend in home ownership rates for older Australians underlines the importance of ensuring the rental market, community housing and housing services are able to meet their needs (subjects addressed in the next section of this report). However, to the extent the decline is correlated to worsening affordability, it also reinforces the need to address home purchase affordability. This is particularly the case given Australia's retirement income system is to a large degree predicated on the assumption that most retirees will own their own home outright and therefore have relatively low housing costs.

12.3 This chapter considers the importance of home ownership as a form of wealth in retirement, the merits of continuing to exclude owner-occupied housing from the aged pension means test, and the need for policies to remove potential barriers to downsizing (or 'rightsizing') by older homeowners.

Home ownership as a form of wealth in retirement

12.4 Home ownership, as noted previously in this report, is a significant form of private wealth in Australia, and this is particularly apparent for older home owners. As Mr Borrowman, Associate Professor Frost and Dr Kazakevitch noted in their joint submission:

...older Australians are less likely to be in residual housing stress than younger Australians. This is driven by the length of working lives and the housing cost advantages of having paid off a mortgage. Home ownership is a form of saving that allows households to draw on home equity if their situation changes. Households that are able to enter and remain in home

1 Dr Debbie Faulkner, Research Fellow, Centre for Housing, Urban and Regional Planning, Faculty of Humanities and Social Sciences, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, pp. 11–12. Dr Julie Lawson and Professor Mike Berry pointed to research that suggested outright ownership for over 65s would likely decline by 10 per cent by 2046. Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University, *Submission 24*, p. 5. COTA reports that 78 per cent of over 65s own their home outright, and 6.5 per cent have a mortgage. COTA, *Submission 191*, p. 1.

ownership are much better off in older age than those who rent. This is further encouraged by the family home being exempt from means testing for the aged pension.²

12.5 Australia's retirement income system is in large measure based on the assumption that people will own their home by the time they retire. As the CFRC explained in its submission, Australia's relatively low pension rates, when considered against rates in other OECD countries, reflect typically lower housing costs resulting from higher levels of outright home ownership. As home ownership levels decline, however, so too will the adequacy of the aged pension.³

12.6 The Combined Pensioners & Superannuants Association of NSW (CPSA) noted that Australia's retirement income system is often characterised as having four pillars: the age pension, superannuation, voluntary savings and the family home. Whether a person owned their own home in retirement, it suggested:

...can mean the difference between getting by and abject poverty. For this reason, CPSA is gravely concerned about the decline in home ownership among people entering retirement.⁴

12.7 Anglicare Australia submitted that because aged care and pension systems in Australia are, in effect, designed for home owners:

...after-housing poverty rates are consequently higher for non-home owning older households. It also means those people have less capacity to modify their homes as they get older and, in most cases, are unable to find more suitable housing in the private market. One of the consequences is the increasing isolation and disability that older people in unsuitable or inaccessible housing face. Another related trend is for people in those circumstances to move into residential aged care at an earlier age as there are no other options available to them, which can also be as costly, if not more so than private rental.⁵

12.8 The UDIA noted that home ownership was a major factor in limiting the demands of an ageing population on government finances:

Government spending on pensions in Australia is able to be considerably lower than in many other countries, because high levels of home ownership amongst retirees have made their housing costs very low. Increasing numbers of people entering retirement reliant on social housing or private rental as a result of their inability to achieve home ownership will result in rapidly escalating costs for government.⁶

2 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, p. 10.

3 City Futures Research Centre, UNSW, *Submission 152*, p. 9.

4 Combined Pensioners and Superannuants Association of NSW Inc., *Submission 164*, p. 3.

5 Anglicare Australia, *Submission 159*, p. 3.

6 Urban Development Institute of Australia, *Submission 190*, p. 7.

12.9 Similarly, Dr Vivienne Milligan from the CFRC suggested that if home ownership for older people declined, then this would likely mean that 'pensions are going to have to rise very significantly or rent assistance for pensioners is going to have to rise very significantly'. The potential cost to the Commonwealth, Dr Milligan argued, was itself reason enough for the Commonwealth to be deeply engaged in addressing home purchase affordability.⁷ Mr Graham Wolfe, Chief Executive of the HIA, told the committee that with the proportion of Australians entering retirement as non-homeowners rising, home ownership as a form of wealth in retirement was 'a very, very important issue for the government today and for payments and social security going into the future'.⁸

12.10 Also noting that importance of home ownership in Australia's retirement income system, the Equality Rights Alliance drew the committee's attention to the difficulties experienced by older non-homeowners. Beyond the financial disadvantage experienced by older renters, the Alliance noted that non-homeowners had poorer outcomes in terms of social integration and participation. It was particularly concerned about the growing cohort of older women who did not own their own home as they moved towards or entered retirement age:

Using figures from the 2011 Census, we estimate there are 222,958 women who are over the age of 45, single, on low to median incomes and paying off a mortgage. More than half of these women are over the age of 55 and one quarter of these women are already experiencing mortgage stress. 119,844 men are in the same situation. Australia has recently seen a large increase in the proportion of those aged 50–64 carrying mortgage debt and older women in particular are less able to maintain home ownership at this age. This is particularly concerning when we consider that older women have lower levels of workforce participation and face intersecting age and sex discrimination in the labour market.⁹

12.11 COTA recommended that the government create a facility to enable older Australians to borrow against the equity in their home to pay for aged-care services costs. COTA noted that the Productivity Commission had in fact recommended the establishment of such a scheme in its *Caring for older Australians* report (2011).¹⁰ The scheme proposed by COTA would be HECS-like in its design, in the sense that as people incurred their bills, they would be set against the equity in their home:

Unlike HECS, where we do not have a guarantee of recovery, in this type of scheme you certainly would have a guarantee of recovery, because

7 Dr Vivienne Milligan, Associate Professor, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 40.

8 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 46.

9 Equality Rights Alliance, *Submission 95*, p. 12.

10 On the Productivity Commission's proposed Australian Aged Care Home Credit scheme, see Productivity Commission, *Caring for older Australians*, Vol. 1 (2011), p. xxxvii.

generally speaking we all die. It is a way of using your house as a line of credit without doing something really clunky like a big reverse mortgage which then becomes a loan you have to repay.¹¹

Pension eligibility and home ownership

12.12 While most federal income support payments are subject to an asset test, the value of a person's principal home (or, colloquially, the 'family home') is exempt from inclusion in the asset test of most transfer payments, including the aged pension. This means that pensioners can still access the pension irrespective of the value of their principal residence. When a person sells their home, the proceeds are exempt from the asset test for up to 12 months, as long as they are intending to buy another home. However, the interest earned on sale proceeds is counted under the income test, and if a cheaper home is bought any surplus cash is included in the test.

12.13 While owner-occupied housing is not included in the asset test, the asset threshold above which the full pension is reduced is higher for non-homeowners than for homeowners.¹²

12.14 AHURI suggested that while the exemption of the family home from the aged pension asset test encouraged 'ageing in place', it might also work to:

...undermine incentives to downsize or sell the house if this serves to reduce access to pension entitlements (Ong 2012). Judd et al. (2014) showed that older people tend to occupy larger houses than suggested by their household size suggesting some inefficiency according to typical standards of occupancy. While most older people desired to stay in their homes, downsizing may also have benefits in terms of better fitting needs as people age and releasing equity.¹³

12.15 Similarly, Associate Professor Yates argued that the asset test on pensions can create 'lock-in' effects that may discourage the sale of housing, even when a retiree might wish to move to more suitable accommodation.¹⁴

12.16 WALGA, stressing the importance of the family home as a store of wealth for retirees, argued that for its continued exemption from the aged pension means test:

11 Mr Ian Yates, Chief Executive, Council on the Ageing, *Proof Committee Hansard*, 28 July 2014, p. 25.

12 As of March 2015, the lower thresholds (that is, the thresholds above which the full pension is gradually reduced) are \$202,000 and \$286,500 for single and couple combined homeowners respectively, and \$348,500 and \$433,000 for single and couple combined non-homeowners respectively. Department of Human Services, <http://www.humanservices.gov.au/customer/enablers/assets/>.

13 Australian Housing and Urban Research Institute, *Submission 93*, p. 3.

14 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 6.

This recognises the attachment many Australians have to their family homes and the benefits of allowing retirees to age in place. It also enables older Australians to stay in communities they may have spent most of their lives in. Furthermore, owner-occupied housing is an important source of wealth and financial security for older Australians.

Within the context of housing affordability, the exemption of the family home from the Age Pension means test probably lowers turnover in the housing market and, as such, contributes to unaffordability. Nonetheless, given the importance of the family home to retirees, the Government should not punish this group of Australians for remaining in owner-occupied housing through measures such as including their homes in means testing.

Instead, disincentives for retirees to downsize could be addressed. For example, when a retiree sells their home and downsizes to a smaller dwelling, the means test exemption should apply not only to their new dwelling but also to the proceeds from the sale of the original home. By 'quarantining' these funds, downsizing retirees will not be penalised relative to those who choose to keep living in their family home.¹⁵

12.17 Similarly, both COTA and Seniors Australia expressed opposition to including the family home in the assets test.¹⁶ Seniors Australia submitted:

Seniors whose only source of income is an age pension or annuity tied to superannuation have no capacity to generate additional income other than divesting themselves of the family home. This would lead to additional pressure on the private housing rental market and social and public housing, and increase the risk of homelessness.¹⁷

12.18 COTA did, however, suggest there might be scope:

...for increasing the difference between the asset holding of home and non-homeowners but this would need to be done in a way that does not offer too much of an incentive for older people to sell their homes and move into rental accommodation.¹⁸

12.19 However, Mr Michael Basso argued that the best way to address the existing disincentive to downsizing to more appropriate accommodation, thereby 'freeing up larger homes for new families', was to include the principal residence in the aged pension means test.¹⁹

15 Western Australian Local Government Association, *Submission 37*, p. 7.

16 National Seniors, *Submission 165*, p. 4; COTA Australia, *Submission 191*, p. 5.

17 National Seniors, *Submission 165*, p. 4.

18 COTA Australia, *Submission 191*, p. 5.

19 Mr Michael Basso, *Submission 209*, p. 5.

Downsizing, resizing, 'rightsizing'

12.20 A number of witnesses explained that while many older people might prefer to move out of the family home and into more appropriate accommodation, financial and other barriers sometimes prevented them from doing so.

12.21 It might be noted while witnesses generally talked about 'downsizing', COTA told the committee that it preferred the term 'rightsizing'. The term 'downsizing', COTA Chief Executive Mr Ian Yates told the committee, could be taken to mean:

... that you want to put all older people into single-bedroom [residences], because they are old and they do not need more than a single bedroom. The reality, of course, is that in later life your home is also your workplace, and older Australians contribute to our society in all sorts of ways, including that they might look after grandchildren, including that they might have hobbies and voluntary activities that require space in the home. So it is often more about getting rid of the big garden than [it] is about not needing more than one bedroom. Indeed, many need two or three bedrooms for those kinds of reasons. So it is about right-sizing.²⁰

12.22 The committee believes COTA raises a useful point in this regard, and believes the policy discourse might benefit from reframing the issue to be about 'rightsizing'. However, for the purposes of this report, the term 'downsizing' is used, given this was the term generally used by witnesses and because it has a commonly understood meaning.

12.23 While noting that older Australians who owned their home were better off than older Australians in rental accommodation, Mr Borrowman, Associate Professor Frost and Dr Kazekevitch outlined obstacles to downsizing that meant some people remained in unsuitable accommodation. They noted, in particular, that would-be downsizers were often discouraged by substantial transaction costs attached to changing houses. As such, they recommended exempting downsizers from stamp duties, which would 'help them to release some of the funds for supporting their incomes and contribute to the supply of established housing for younger growing families'.²¹

12.24 CPSA noted there were several barriers that often inhibited people from downsizing, including the cost of stamp duties (except in the ACT where over 65s are exempt from stamp duty). It therefore recommended that states and territories remove stamp duty for pensioner home owners.²²

20 Mr Ian Yates, Chief Executive, Council on the Ageing, *Proof Committee Hansard*, 28 July 2014, p. 23.

21 Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*, p. 10 (emphasis in source).

22 Combined Pensioners and Superannuants Association of NSW Inc., *Submission 164*, p. 13.

12.25 As KinCare acknowledges in its submission, existing government policy is based on a recognition that most older Australians are living at home, and many older Australians have a preference to remain in their home for as long as they can. The Australian Government has committed almost \$1 billion over five years to help older people stay at home through a range of measures, including an increased number of home support packages.²³

12.26 National Seniors Australia's research, as relayed to the committee, has shown that two-thirds of older Australians want to stay in their own home or, if they have to move, to at least remain in their local area.²⁴

12.27 Mr Ian Yates, Chief Executive of COTA, told the committee that oftentimes retirees:

... actually do not necessarily want to live in the family home but they do want to stay connected to the networks and the services and so on, and converting from one form of housing to another in your same area is frequently a significant challenge, both financially and in terms of things like planning laws and all that. As a society, I think we need to get our head around that a bit better.²⁵

12.28 In its submission, COTA noted the benefits of rightsizing, both for older people and in terms of the availability of housing stock more broadly:

Right sizing allows older people to accommodate their life as it changes, frees up housing stock for the broader community and can reduce the cost of ongoing service delivery. For homeowners there need to be some incentives to encourage them to 'right size' so that their accommodation better meets their later life needs.²⁶

12.29 Ms Mary Wood, Executive Director of Retirement Living Council, part of the Property Council of Australia, told the committee that because sale of the family home could negatively impact a person's access to the aged pension:

...a very large number of seniors end up staying much longer than they want to in their family home, which is full of trip hazards and [leads to] social isolation, which is a huge problem and an expensive problem. They lose some control over their life, thereby making it much more likely that they will end up being admitted into a residential aged-care facility, which for many people is the very situation they want to avoid. They are also

23 KinCare, *Submission 76*, p. 3.

24 Ms Marie Skinner, Senior Policy Adviser, National Seniors Australia, *Proof Committee Hansard*, 10 September 2014, p. 9.

25 Mr Ian Yates, Chief Executive, Council on the Ageing, *Proof Committee Hansard*, 28 July 2014, p. 23.

26 COTA Australia, *Submission 191*, p. 6.

precluded from using proceeds from their home sale to help pay for the health and other supports that they need.²⁷

12.30 The Productivity Commission addressed the adverse effect the sale of a residential home might have on a retirees access to the pension in its 2011 report, *Caring for Older Australians*. The Productivity Commission recommended the government establish:

...an Australian Age Pensioners Savings Account scheme, for those on a full or part-rate Age Pension who wish to deposit all or some of the proceeds of the sale of their principal residence. The real value of the savings account would be maintained by consumer price indexation, and be excluded from the Age Pension assets and income tests. The savings account could be drawn down flexibly by the account owner for any purpose.²⁸

12.31 However, the scheme recommended by the Productivity Commission would have been part of a broader package of reforms, including the removal of the exemption of a person's principal residence for the aged pension assets test. The former government, in its *Living Longer Living Better* aged care reforms, did not take up the Productivity Commission's recommendation for an Australian Age Pensioners Savings Account scheme.²⁹

12.32 However, in the 2013–14 Budget the then government announced its intention to implement the Housing Help for Seniors pilot program, with a commencement date of 1 July 2014. Had the pilot been implemented, it would have allowed a homeowner who had lived in their home for at least 25 years to sell their home and have at least 80 per cent of the proceeds from the sale of the home (that is, the sale price less any valid encumbrance such as a mortgage, and less the purchase price of the new home), up to a cap of \$200,000, quarantined in a special account so that it was not considered as part of the aged pension asset test. The money in the account plus any interest earned would be exempt from the asset test for up to ten years, providing there were no withdrawals during the life of the account. The exemption was to be available to people assessed as home owners who moved into a retirement village or a granny flat, but would not have been available to people moving into residential aged care. The program, according to the budget papers, would have cost \$112.4 million over the forward estimates period.³⁰

27 Ms Mary Wood, Executive Director, Retirement Living Council, Property Council of Australia, *Proof Committee Hansard*, 10 November 2014, pp. 46–47.

28 Productivity Commission, *Caring for older Australians*, Vol. 1 (2011), p. xl.

29 Parliamentary Library, Research Paper No. 3, 2012–13, *Budget Review 2013–14* (May 2013), p. 175.

30 Budget Paper No. 2, *Budget Measures 2013–14*, p. 152. Also see Parliamentary Library, Research Paper No. 3, 2012–13, *Budget Review 2013–14* (May 2013), pp. 175–76.

12.33 Mr Yates explained that COTA was supportive of the Housing Help for Seniors pilot. While it was a modest scheme, COTA nonetheless believed it should be trialled and evaluated, and it might then form the basis for a broader set of initiatives directed toward encouraging rightsizing.³¹

12.34 National Seniors Australia informed the committee that its surveys of aged pensioners indicated that 28 per cent thought the proposed pilot scheme would have influenced any decision they made to downsize. National Seniors did note its concerns regarding restrictions within the scheme, including the inability of pensioners to access the money set aside in a special account for medical costs, housing repairs or modifications, and emergency bills. However, it told the committee it 'would have welcomed attempts by the current government to address some of the shortcomings of the pilot rather than disband it completely'.³²

12.35 The RDC (part of the Property Council of Australia), suggested the scheme was too restrictive, both because it was limited to pensioners who had owned their own home for 25 years and because the equity released could not be spent, even on health or care services. Writing prior to the government's announcement that it would not proceed with the scheme, the RDC suggested that the scheme be redesigned so as to:

- limit the trial to Australians aged 75 and over—i.e. move to age based eligibility rather than the length of home ownership test;
- limit eligibility to those Australians who qualify for the full rate age pension; and
- allow Australians who take advantage of this initiative to use the non-means tested funds held in their special account for a range of approved health and age-related service costs (up to \$25,000 per year on health and wellbeing costs including private health insurance, community care, meals-on-wheels and cleaning).³³

12.36 Ms Wood outlined how the Property Council's proposal for 'unlocking home equity' would work. It would, she told the committee, be limited to full-rate aged pensioners aged 75 and over 'so that you are not getting into welfare creep by part-pensioners or people who want to plan their affairs to qualify for a part-pension'. Pensioners would be able to access a capped amount of proceeds from the sale of their home—Ms Woods suggested \$150,000—for health and wellbeing expenditures without affecting their pension eligibility. The scheme would, Ms Woods argued:

...remove this major barrier to downsizing and unlock home equity for productive economic purposes, including allowing spending by age

31 Mr Ian Yates, Chief Executive, Council on the Ageing, 28 July 2014, *Proof Committee Hansard*, p. 23; COTA Australia, *Submission 191*, p. 7.

32 National Seniors Australia, answer to a question on notice from a public hearing held in Brisbane on 10 September 2014, received on 13 October 2014, p. 2.

33 Residential Development Council, Property Council of Australia, *Submission 212*, p. 12.

pensioners on health and wellbeing services that otherwise the taxpayer would need to fund or that they just do not get and so end up living an impoverished life in every sense of the word.³⁴

12.37 CPSA, however, thought the scheme was too restrictive, and unlikely to encourage many pensioners to downsize.³⁵

Committee view

12.38 For a majority of Australians, the family home remains their most valuable asset, even with the introduction of compulsory superannuation in the early 1990s.

12.39 The committee notes that some witnesses argued for inclusion of the family home in the aged pension assets test. However, the committee believes such recommendations do not afford sufficient weight to the attachment many people have to their home, or recognise the benefits of allowing people to age in place.

12.40 It may be that the exemption of the family home from the aged pension means test encourages some overinvestment in housing and, in some cases, discourages people from moving to accommodation better suited to their needs. However, improved housing affordability achieved through policy which pressures older Australians to sell their homes to access capital, potentially disrupting their ties to family, friends and community, would be a hollow achievement. The committee believes a better approach would be to explore innovative and affordable policies that allow retirees to downsize (or 'rightsize') when they wish or require to do so, without the sale proceeds necessarily jeopardising their pension eligibility. Programs such as the Housing Help for Seniors program, announced by the former government in the 2013–14 Budget but abandoned by the current government in the 2014–15 Budget before it was legislated, would be worth exploring in this regard.

12.41 More generally, the committee believes there is currently a lack of overall strategy to facilitate 'rightsizing' and ageing in place. As such, governments should consider including measures in the national housing affordability plan proposed at recommendation 4 to ensure the housing market properly meets the needs of older Australian homeowners.

Recommendation 17

12.42 The committee recommends that the government investigate new policy settings that will address barriers to downsizing (or 'rightsizing') by retirees, including schemes along the lines of the Housing Help for Seniors pilot.

34 Ms Mary Wood, Executive Director, Retirement Living Council, Property Council of Australia, *Proof Committee Hansard*, 10 November 2014, p. 47. On the proposal, see Property Council of Australia, 'Unlocking home equity solution to ageing population', 6 March 2015, <https://www.propertyoz.com.au/Article/NewsDetail.aspx?p=16&id=10665>.

35 Combined Pensioners and Superannuants Association of NSW Inc., *Submission 164*, p. 13.

Part II

The committee has looked at home ownership and noted the gradual decline in the number of people who own their own home and the increasing challenge for aspiring first home owners to achieve the goal of home ownership. In the second part of this report, the committee's focus turns to those who through necessity must rent—those whose circumstances do not extend to home ownership. It considers the Australian rental market, its changing profile and the challenges and difficulties that low-income earners experience in accessing suitable accommodation. The committee also looks at public and community housing, at people with particular housing needs and the homeless.

Chapter 13

Affordable rental market

13.1 A number of submitters noted that, in the context of affordable housing, much attention has been given to home ownership but considerably less to renting.¹ For example, Ms Molly Johnson, the Australia Institute, stated:

While barely a week goes by in which the issue of housing affordability is not in the news, the effect on renters seldom makes the headlines.²

13.2 In her view, the expense of buying a house was only one aspect of the housing affordability issue. The cost of housing for those who rent was equally part of the problem.³ In this chapter, the committee considers Australia's private rental market, the supply of rental properties, the costs of renting, the growing disparity between rents and income, the changing profile of the rental market, rental stress and tenancy laws.

Supply of rental properties

13.3 In its 2012 update on Australian housing, the National Housing Supply Council (NHSC) recorded that the housing gap increased by 28,000 dwellings over the year to end-June 2011, taking the cumulative shortage of dwellings since 2001 to 228,000. Assuming that historic demographic and supply trends continued, the Council projected that the national shortfall in houses would increase to 370,000 dwellings by 2016, 492,000 by 2021 and 663,000 by 2031.⁴

13.4 Dr Harley Dale, HIA, noted that Australia had produced on average around 156,500 new homes per annum. Based on a projected 35 million population target by 2050, he suggested that:

Under the most conservative of estimates that one could come up with, we need to average 180,000 dwellings per annum between now and the year 2050 if we are to adequately and successfully house our growing and

1 See for example, Professor Hulse, *Proof Committee Hansard*, 9 September 2014, p. 11; Dr David Baker, *Proof Committee Hansard*, 28 July 2014, p. 19.

2 *Proof Committee Hansard*, 30 July 2014, p. 60.

3 *Proof Committee Hansard*, 30 July 2014, p. 60.

4 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vi, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

ageing population. The difference is very wide and it is growing almost by the day.⁵

13.5 In his view, the 180,000 figure was a bare minimum.⁶ Clearly, as the Department of Social Services stated, 'Australia does not build enough houses for its growing population'.⁷

13.6 This shortfall in the construction of new homes not only affects potential home owners but also those who rent. In this regard, the NHSC reported in its 2012 update on housing supply in Australia that there was a lack of properties that were affordable and available for lower income renters. The Council estimated that there was a deficit of 539,000 affordable rental properties available for this group. Available rental properties included some that were affordable for less affluent households but were already occupied by higher income earners. Sydney, Melbourne and Brisbane had the 'greatest absolute and relative shortages'.⁸ For example, in Sydney there was one affordable and available rental property for every 15 very low-income households.⁹

13.7 Moreover, the trend is toward further deterioration in the availability of affordable rental properties.

Increasing house prices and rising rents

13.8 As noted in the first part of this report, house prices in Australia have risen considerably over recent decades. In summary, median house prices had increased from around three times average household earnings in the early 1990s to around five

5 *Proof Committee Hansard*, 30 July 2014, pp. 43–44. Using an average annual rate of growth in the population of 1.3 per cent, the intergenerational report projected that Australia's population would rise to 39.7 million by 2054–55. It noted, however, that population projections are particularly sensitive to assumptions about the rate of net overseas migration. *The 2015 Intergenerational Report, Australia in 2055*, p. 3, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report> (accessed 23 March 2015).

6 *Proof Committee Hansard*, 30 July 2014, p. 44.

7 *Submission 198*, p. 4.

8 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vii, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

9 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

times in 2009. The 2009 Henry Review noted that higher house prices reduced rental affordability, as rents need to increase if investors were to maintain their rental yield.¹⁰

13.9 This continuing shortage of rental properties and rising rents have affected low-income households in particular. A low-income household is defined as a household whose equivalised gross income falls in the lowest 40 per cent of the population.¹¹ Further, such a household is deemed to have an affordability problem if their housing costs exceed 30 per cent of their income because it has less money to spend on essentials.¹² The NHSC explained:

These households have less choice than more affluent groups because they face binding affordability constraints, have less ability to absorb increased housing costs, and are often displaced from affordable existing housing by established households and those higher up the income spectrum.¹³

13.10 According to the NHSC, lower income renters faced a worsening situation between 2007–08, most notably in the capital cities. In the Council's view, this trend highlighted the fact that those at the lower end of the income distribution, many of whom would be in the private rental market, were likely to be most affected by constrained housing availability. It stated further:

Given that rents have continued to rise, and outstripped house price growth in 2011, rental affordability may have continued to deteriorate, at least in comparison to the situation faced by home owners.¹⁴

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- 10 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
- 11 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 83, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
- 12 See for example, Maryann Wulff, Margaret Reynolds, Dharmalingam Arunachalam, Kath Hulse and Judith Yates, *Australia's private rental market: the supply of, and demand for, affordable dwellings*, Australian Housing and Urban Research Institute Swinburne-Monash Research Centre, May 2011, p. 6, <http://www.ahuri.edu.au/publications/search.asp?ShowSearch=False&Direction=DESC&Search=Properties&Keywords=Maryann+Wulff&SearchAuthor=True&Sort=Search%2DTitle&CurrentPage=3> (accessed 4 March 2015).
- 13 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. 3, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).
- 14 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. 5, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

Growing disparity between income and rents

13.11 In addition, increases in income have not kept pace with rises in rent. The Henry Review observed the growing gap between the cost of renting and household income. In 2009, the ratio of rents to average weekly earnings had risen to its highest level since the late 1980s. The review explained:

As at 5 June 2009 there were 418,000 individuals and families paying more than 30 per cent of their income in rent even after receiving Rent Assistance; 129,000 of these were paying more than 50 per cent of their income. Many of these people, especially age pensioners and disability support pensioners (who make up around one-quarter of Rent Assistance recipients) are likely to have limited capacity to increase their incomes. The number of Rent Assistance households paying more than 30 per cent of their income in rent is at its highest level since 2000.¹⁵

13.12 The range of affordability measures calculated from the NHSC's 2009–10 Survey of Income and Housing show that:

- In 2009–10, 60 per cent of lower income private renters faced direct housing costs of more than 30 per cent of their income, an increase from 57 per cent in 2007–08.
- A larger proportion of lower income renters in capital cities faced housing costs of more than 30 (and 50) per cent of income than did low-income renters outside those cities.
- New South Wales, followed by Queensland, had the highest proportion of lower income renters paying more than 30 (and 50) per cent of income.¹⁶

13.13 In a more recent publication, the NHSC found that compared to a decade ago, the average nominal rent paid had increased by 75.8 per cent for houses and 91.8 per cent for other dwellings (mostly flats/apartments). In contrast, average earnings had risen by 57 per cent over the same period. It also noted that vacancy rates remained low at around 2 per cent—a further factor suggesting that the rental market remained tight.¹⁷ Overall, the Council concluded:

15 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

16 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vii, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

17 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, p. 7, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

More than ever, Australia's supply challenge is not simply to add to housing stock but also to achieve substantial growth in the supply of affordable rental stock where it is needed most. With a decline in home ownership rates, likely to be exacerbated as the Baby Boomers (who have high ownership rates) move on, pressure on the private rental market is likely to increase in the years to come.¹⁸

13.14 Many submitters referred to the growing disparity between income growth and increases in rent and how this gap made it much harder for low-income earners to find affordable and appropriate rental properties. For example, Mr Ian Pritchard, Regional Development Australia, Gold Coast, referred to a report on housing affordability on the Gold Coast, which revealed considerable disparity between income growth and housing cost growth. Between 2006 and 2011, the median household income increased by approximately 13 per cent whereas rental payments increased by approximately 35 per cent.¹⁹

13.15 Mr Mark O'Brien, Tenants Union of Victoria, similarly noted that the cost of renting to income ratios had increased substantially over the last 20 to 25 years. He gave the following example:

At the moment in Melbourne only about 0.4 per cent of lettings are affordable for a low-income household, so fewer than one in 100 lettings are affordable for a low-income household.²⁰

13.16 Anglicare also highlighted the scarcity of affordable rental properties for low-income earners. To determine how many properties are available for people on very low incomes, Anglicare conducts an annual one-weekend review of the private rental market. In 2014, it found 13,000 private rental market properties available for rent of which only 23 would have been affordable for people on low incomes.²¹ In its submission, the National Affordable Housing Consortium spoke of a 'strong and consistent unity of message across the board', which contended:

...the long term relationship between incomes and house prices has been seriously eroded over the past 20 years and, without action to address the underlying factors, this trend will continue to create serious affordability

18 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, pp. xi and 129, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

19 The report was intended to inform stakeholders within the region of issues relating to housing affordability. The project was commissioned by MacroPlan Dimasi to undertake the research and the report was completed in March 2014. *Proof Committee Hansard*, 10 September 2014, p. 24.

20 *Proof Committee Hansard*, 9 September 2014, p. 42.

21 Dr Burgmann, *Proof Committee Hansard*, 10 November 2014, p. 11.

problems, particularly for those households in the bottom 40% of income distribution.²²

13.17 Ms Felicity Hand, Department of Social Services, told the committee that low-income households face affordability challenges and limited choices in the private rental housing market, which had been exacerbated by a period of higher than CPI rent growth between 2007 and 2013. According to Ms Hand, between 2007 and 2013 private rental costs, on average, had grown significantly faster than CPI. Most recently, however, growth in rents had slowed and in the year to June 2014, rents had risen more slowly than CPI for the first time since 2006.²³

Changing profile

13.18 Australia's private rental market has been changing from its traditional role as a transitional phase for households moving into home ownership or social housing to a long-term sector for a significant number of households.²⁴ Mr O'Brien stated that it was never contemplated that the private rental sector would continue to be as big as it is. He explained further:

It was anticipated that most people would achieve home ownership and the few who could not would be housed by the government. So, in effect, the system would become a two-part system.²⁵

13.19 Ms Johnson, the Australia Institute, observed that the growing number of renters and increasing house prices in Australia was making it difficult for aspiring home owners to enter the property market and was driving up the cost of renting.²⁶ Likewise, Dr Wendy Stone noted the changing profile of the rental market with tenants renting for longer terms and the sector no longer serving as a transition into home ownership for many Australians. She informed the committee that:

The number of renters who have rented for more than 10 years has increased quite significantly in the last 15 years largely because we now have people living in the private rental sector long term who once would have had social housing or access to home ownership through being able to

22 *Submission 101*, p. [1].

23 *Proof Committee Hansard*, 30 July 2014, p. 1.

24 See Kath Hulse, Terry Burke, Liss Ralston and Wendy Stone, *The Australian private rental sector: changes and challenges*, Australian Housing and Urban Research Institute, July 2012, p. 6, https://www.melbourneinstitute.com/downloads/hilda/Bibliography/Other_Publications/2012/Hulse_et_al_The_Australian_private_rental_sector_changes_and_challenges.pdf (accessed 15 January 2015).

25 *Proof Committee Hansard*, 9 September 2014, p. 45.

26 *Proof Committee Hansard*, 30 July 2014, p. 60.

afford a home. The pressure in the system is great for low- to moderate-income households, spatially and in other ways.²⁷

13.20 Professor Kath Hulse referred to the 'boiling frog' of the private rental sector. In her view, home ownership had attracted 'a lot of attention' with social housing receiving some interest, but the reality was that the private rental sector was 'growing'. According to Professor Hulse, the sector grew by 18 per cent between 2006 and 2011, which was twice the rate of household growth in Australia.²⁸ She noted in particular that while there was a range of people on different household incomes in the sector, there were many people on low incomes who were private renters.²⁹

13.21 Also, Mr O'Brien indicated that discussions about rental housing affordability were often bedevilled by the assumption that it was about young singles, when the largest proportion of households in the rental market were families with children. He pointed out:

They are the people who are also confronting these affordability problems and are being forced to make difficult decisions about...their children's future and trying to find an affordable place in the market so that they can prosper as a family.³⁰

13.22 Importantly, he underlined the fact that the market creating such difficulties for renters was 'a very mainstream housing market' and not confined to special groups.³¹

Higher income earners now renting

13.23 One of the notable shifts in the profile of those in the private rental market has been the increasing number of higher income earners occupying a significant proportion of the private rental market. With supply already stretched, this tendency has intensified competition in the market.³² In its submission, the Council to Homeless Persons referred to the phenomenon of households 'renting down', that is higher income households occupying low rent properties. It suggested that this trend demonstrated that the problems faced by low-income renters were not simply 'a problem of housing affordability, but a problem of housing allocation'.³³

27 *Proof Committee Hansard*, 9 September 2014, p. 11. Dr Stone gave evidence in a private capacity.

28 *Proof Committee Hansard*, 9 September 2014, p. 10. Professor Hulse gave evidence in a private capacity.

29 *Proof Committee Hansard*, 9 September 2014, p. 11.

30 *Proof Committee Hansard*, 9 September 2014, pp. 44–45.

31 *Proof Committee Hansard*, 9 September 2014, pp. 44–45.

32 See, for example, Australian Housing and Urban Research Institute, *Submission 93*, p. 32; Council to Homeless Persons, *Submission 179*, p.2.

33 *Submission 179*, p. 2.

Professor Hulse also noted that much of the problem with access to an affordable private rental property was around competition. Referring to research she had undertaken, Professor Hulse informed the committee that there had been an increase in higher income renters during the period 2006 to 2011—so there was pressure in the sector. Further, Professor Hulse explained that people letting properties were making a risk assessment and renting the property to higher income households rather than the lower-income ones if they thought there was a risk.³⁴ Indeed, an AHURI study on affordable dwellings in Australia's private rental market found that:

...even if the private rental market worked perfectly and allocated all affordable rental dwellings to low-income households, there are simply not enough affordable private dwellings to go around. The fact that much of this stock is taken up by higher income households only worsens the situation.³⁵

13.24 Elaborating on this trend for higher income earners to rent, Professor Hal Pawson, City Futures Research Centre, noted that some people who could afford to own a home do not necessarily elect for home ownership. Rather than purchase a small unit or house on the outskirts of metropolitan areas, which is affordable, they choose to rent closer to the city to meet their housing needs. They then squeeze out of the rental market those for whom renting is the only choice.³⁶ As Associate Professor Judith Yates explained:

...as our cities become more and more pressured by population pressures, affordable housing moves out and so people would rather have the lifestyle preferences of rental housing which they can access closer to the amenities they want, and, particularly for two-income households, two-earner households, have access to more jobs.³⁷

13.25 Dr Chris Martin, Tenants' Union of New South Wales, similarly observed that some higher-income earners preferred to rent for lifestyle or labour market decisions and occupied stock that might otherwise be affordable to low-income people. He also noted the growing number of people renting longer into their 'higher-income-earning years'.³⁸ This tendency, in combination with limited rental stock, exacerbated the problem for low-income earners finding affordable housing.³⁹ Indeed, Dr Martin

34 *Proof Committee Hansard*, 9 September 2014, p. 25.

35 See for example, Maryann Wulff, Margaret Reynolds, Dharmalingam Arunachalam, Kath Hulse and Judith Yates, *Australia's private rental market: the supply of, and demand for, affordable dwellings*, Australian Housing and Urban Research Institute Swinburne-Monash Research Centre, May 2011, p. 13, <http://www.ahuri.edu.au/publications/search.asp?ShowSearch=False&Direction=DESC&Search=Properties&Keywords=Maryann+Wulff&Search-Author=True&Sort=Search%2DTitle&CurrentPage=3> (accessed 4 March 2015).

36 *Proof Committee Hansard*, 10 November 2014, p. 35.

37 *Proof Committee Hansard*, 10 November 2014, p. 37.

38 *Proof Committee Hansard*, 10 November 2014, p. 62.

39 *Proof Committee Hansard*, 10 November 2014, p. 66.

argued that the shape of the rental market had altered 'particularly to the disadvantage of low-income renters'.⁴⁰ The Department of Housing and Public Works, Queensland, likewise observed the increasing numbers of people on medium to high incomes choosing to rent in order to save a deposit to buy.⁴¹ This subsequent demand for affordable rental housing creates additional pressure on low-income renters.

Rental stress

13.26 Housing stress is a measure of housing affordability where the proportion of household income spent on basic housing costs (that is, rent or mortgage) is calculated. Rental stress, therefore, is a situation where a household's housing costs (excluding government rent assistance) exceeds 30 per cent of the gross household income. According to the Australian Institute of Health and Welfare (AIHW), any household spending 50 per cent or more is said to be in severe housing stress.⁴² Dr Martin stated bluntly:

What we call 'housing stress' is poverty by another name.⁴³

13.27 The AIHW found that the proportion of low-income households paying more than 30 per cent of their income in rent had risen. In 2007–08, 37 per cent of low-income households were in rental stress compared to 44 per cent in 2011–12. The proportion of rental stress was higher (60 per cent) for the lowest 10 per cent of households by income in 2011–12.⁴⁴ It noted that of the 1.2 million low-income households across Australia, 44 per cent were in rental stress in 2011–12, an increase from 42 per cent in 2009–10 and 37 per cent in 2007–08.⁴⁵ Other witnesses agreed that the national picture for households in the bottom income brackets had deteriorated.

13.28 Professor Hulse noted that not only had the situation worsened for low-income earners but had extended further up the income scale. She cited the stark housing shortages that occurred in towns and regional centres in Queensland and

40 *Proof Committee Hansard*, 10 November 2014, p. 62.

41 Queensland Government, *Submission 215*, p. 2.

42 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, pp. 83 and 85, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

43 *Proof Committee Hansard*, 10 November 2014, p. 66.

44 Institute of Health and Welfare, *Housing assistance in Australia 2014*, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

45 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Western Australia due to the mining boom and the concomitant escalation in demand for housing.⁴⁶

13.29 Drawing on their experiences or from their own region or state, a number of submitters highlighted the fact that many low-income earners were under rental stress.⁴⁷ For example, Mr Adam Mills, City of Melbourne, cited statistics indicating that the median rent in the City of Melbourne exceeded income growth by 150 per cent. Currently, half of the city's renters were in housing stress, paying greater than 30 per cent of their gross income on rent.⁴⁸ He went on to explain that there was poor access to affordable housing for low-income essential service workers with only 10 per cent of all rental housing affordable to this group within the City of Melbourne, which only improved marginally to 18 per cent within a 56-minute commute.⁴⁹

13.30 Mr Pritchard, Regional Development Australia, Gold Coast, referred to a commissioned report completed in March 2014 that clearly illustrated the extent of housing stress in the Gold Coast region. It also showed that the majority of those in housing stress were low-income renters. Essentially, the report found that based on 2011 figures, of the 46,000 households spending in excess of 30 per cent of their income on housing costs on the Gold Coast, approximately 35,000 of them were low-income households. Of the 80,000 low-income households on the Gold Coast, 35,000 households, or about 43 per cent, were in housing stress. Of these 35,000 households, approximately 24,000 were in rental stress and about 11,000 in mortgage stress.⁵⁰ More broadly, the National Council of Women of Australia maintained that rental affordability for households on the lowest incomes continued to worsen. It stated:

The impact of the housing crisis on lower income households is more acute because of a lessened capacity to compete for housing. For the lowest 10% of households by income, rental stress jumped from 49.2% in 2007–8 to 60.8% in 2009–10.⁵¹

13.31 It should be noted that while the figure of 30 per cent of income is generally accepted as a measure of rental stress, the burden of paying such a sizeable sum on rent falls more heavily on some. In this regard, Regional Development Australia, Gold Coast, observed that the 30 per cent ratio did not take account of other relevant factors such as the number of people per household and disposable income.⁵² Along similar lines, and as discussed in chapter two, Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman argued that this ratio approach did not

46 *Proof Committee Hansard*, 9 September 2014, p. 25.

47 See for example, Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 51.

48 *Proof Committee Hansard*, 9 September 2014, p. 29.

49 *Proof Committee Hansard*, 9 September 2014, p. 29.

50 *Proof Committee Hansard*, 10 September 2014, p. 24.

51 Ms Findlater Smith, *Proof Committee Hansard*, 30 July 2014, p. 55.

52 *Submission 74*, pp 3–4.

capture the 'dynamics of housing stress for different compositions of households' and failed to reflect the complex nature of housing and its interrelated nature with other costs. They suggested that:

Housing is the major item in many households budgets and for low-income groups the financial situation after housing costs have been met is a pressing issue.⁵³

13.32 As a more accurate reflection of rental stress, they supported using the residual stress measure, which was based on the level of disposable income that remained after housing costs had been met.⁵⁴ As noted earlier, HomeGround also favoured this approach, arguing that:

...for people on very low incomes, ratio measures of affordable housing are meaningless. When someone pays 25% of their income in rent and still cannot afford other basic necessities such as food and clothing, the result is extreme poverty, residual measures of housing affordability at least make allowances for the cost of other necessary purchases in calculating what is affordable.⁵⁵

13.33 Mr Andrew Mills, HomeStart Finance, also acknowledged that the definition of housing affordability varied for every household and was dependent 'on particular life circumstances, such as childcare costs, whether you need to own a car, travel to work'.⁵⁶ He conceded, however, that from a broad policy perspective, it was not possible, in a practical sense, to evaluate different circumstances for every household and accepted that the 30 per cent threshold provided a useful benchmark for policy.⁵⁷

13.34 The committee understands the practicality of using the 30 per cent benchmark as a measure of housing stress but notes the importance of keeping in mind the different composition and circumstances of individual households and that some will bear the burden of renting more heavily.

Level of hardship

13.35 Organisations providing assistance to people under rental stress understand the level of hardship that high rents are causing. Mr Simon Schrapel, Uniting Communities, informed the committee that those working in the organisation's financial counselling services regularly see people who are paying not 30 per cent but upwards of 50 per cent of their disposable income in private rental accommodation.⁵⁸ Drawing on Shelter SA's experiences, Dr Alice Clark noted that Shelter SA's

53 *Submission 23*, p. 4.

54 *Submission 23*, p. 2.

55 *Submission 70*, p. 5.

56 *Proof Committee Hansard*, 9 September 2014, p. 29.

57 *Proof Committee Hansard*, 9 September 2014, p. 29.

58 *Proof Committee Hansard*, 28 July 2014, pp. 29–30.

consultations with people living in the community also show that people living on low incomes pay 50 per cent or more of their income just on their house. She went on to comment:

So if you are on a very low income that leaves you practically nothing to buy necessities—things like medicines and health care, school excursions and indeed food.⁵⁹

13.36 Anglicare WA explained that the emergence of a group of private renters routinely accessing financial support services was 'a relatively new phenomenon' and indicated strongly that the lack of affordable housing was affecting a widening proportion of the community and 'increasing their vulnerability'.⁶⁰ Mr James Bennett, Tenants Union of Victoria, stated simply that workers with the Union 'often see people on average weekly earnings now struggling to meet average rent in a number of areas'.⁶¹ This statement ties in with the observation that the difficulties for Australian renters were very much a product of today's mainstream rental market.

Additional housing costs

13.37 When considering housing stress, it is important to recognise that the actual expenditure on rent is not the only drain on the household housing budget. There are additional costs associated with housing that further eat into a household's finances. Energy, in particular, is a major source of expenditure. Mr Schrapel indicated that some renters, notably people on the lowest income, were paying upwards of 10 per cent of their remaining disposable income on energy. He explained further:

In a lot of rental homes landlords have not traditionally made their properties particularly energy-efficient or put in appliances that have allowed that sort of comfort level to be realised.⁶²

13.38 Also, based on his experience as CEO of Uniting Communities, Mr Schrapel observed that low-income housing tends to be located on the fringes. He explained that it is 'the costliest place to live in terms of transport and everything else, so you have a displacement effect which has a compounding impact on low-income households'.⁶³ Mr Schrapel suggested that when 60 per cent of a person's disposable income is consumed on those essential things there is not much left for necessities such as food. In his assessment, a lot of low-income people were 'experiencing extreme housing stress'.⁶⁴

59 *Proof Committee Hansard*, 28 July 2014, p. 32.

60 *Submission 161*, p. 7.

61 *Proof Committee Hansard*, 9 September 2014, p. 42.

62 *Proof Committee Hansard*, 28 July 2014, p. 30.

63 *Proof Committee Hansard*, 28 July 2014, p. 41.

64 *Proof Committee Hansard*, 28 July 2014, pp. 29–30.

13.39 Mr Ian Yates, COTA, likewise noted that housing affordability encompassed other costs. For example, Mr Yates observed, and as Mr Schrapel mentioned, people in the rental market not only had significant rental outlays but were also frequently living in housing that was not energy efficient. He stated further:

Because there is not a lot of incentive for a landlord to make a house energy efficient, pensioners are paying higher gas and electricity bills out of a tight income stream because they are not in efficient housing.⁶⁵

13.40 In addition, Mr Yates referred to renters living long distances from where they needed to be and highlighted the cost of transport, which, he argued, should be considered part of the affordability of housing issue.

Affordable and appropriate housing

13.41 Many submitters stressed the importance of recognising that affordable housing must also be appropriate housing. In its submission, COTA observed that too often the only affordable housing was not appropriate, 'either because of its design, or its geographic position and lack of proximity to necessary services'.⁶⁶

Proximity to transport, services, jobs, schools

13.42 Some witnesses referred to the families and individuals on limited incomes who, unable to find affordable, appropriate and secure housing, were increasingly being forced to relocate to areas on the urban fringe without adequate services and infrastructure and removed from their social supports.⁶⁷ For example, Mr O'Brien, Tenants Union of Victoria, noted that the natural consequence of cities such as Melbourne commanding high rents meant that low-income people were being driven further away from good-amenity suburbs around the inner city and even the middle-ring suburbs. He suggested:

So the less than one per cent of lettings that are affordable in Melbourne are now located in a sort of ring around the outer fringes of the city. It has also forced low-income households to occupy housing in places like Dromana, which is an old holiday destination. You have people now living permanently in places that were never really intended that way in housing that was never intended for permanent occupancy.⁶⁸

13.43 The committee has referred to the costs of transport for those living on the periphery of metropolitan areas. But being relegated to the outskirts of cities has implications that go beyond higher transport expenses. Indeed, the move to the outer

65 *Proof Committee Hansard*, 28 July 2014, p. 22. See also Jane Berry, *Home Sweet Home—Act for the house not the tenant*, Footscray Community Legal Centre Inc, 2013, pp. 8 and 10–11. The issue of energy efficiency and housing affordability was also discussed in chapter 8.

66 *Submission 191*, p. 6.

67 See, for example, Hobsons Bay City Council, *Submission 39*, p. 3.

68 *Proof Committee Hansard*, 9 September 2014, p. 44.

suburbs, according to Mr O'Brien, effectively forces people on benefits to areas that have less access to employment, services and transport thereby creating an environment for future social problems. In his view, such a development does nothing to avoid the 'intergenerational transmission of poverty or inequality', which happens simply by the normal processes of the market.⁶⁹ Drawing on her work with Shelter SA, Dr Clark also noted that people at the lowest end of the rental market were being forced from where they want and need to live, which might be near work or family:

We see people being pushed out and away from services and infrastructure, and also the quality of those homes—the private rental properties—is deteriorating. Landlords don't care. They have got a line of tenants waiting to inhabit their places and they are not doing maintenance, so there are serious issues for private renters.⁷⁰

13.44 Professor Pawson also spoke of the working poor being pushed increasingly towards the fringes of Australia's capital cities—places remote from 'the jobs-rich inner areas'. Likewise, Ms Jacqueline Phillips, Australian Council of Social Service, referred to a spatial segregation driven by access to affordable housing that:

...creates marked inefficiencies in lower paid labour markets and imposes high transport costs on often quite low-income households.⁷¹

13.45 In her view, housing should be seen not only in an economic context but also as part of Australia's infrastructure.⁷² As Associate Professor Wilkins, University of Melbourne, noted, you cannot divorce affordable housing from 'infrastructure development and in particular transport infrastructure, both public and private'.⁷³ Indeed, Professor Jago Dodson, RMIT University, spoke of spatial and social polarisation and the differentiation in housing markets between the core of Australian cities, the middle suburbs and the outer suburbs, where housing is most affordable for those on low incomes. He argued:

The combined impacts of those locational processes affect access to employment and access to public and social services such as health and education services, which compounds not just affordability problems but also liveability or wider opportunity questions for households in the lower income brackets. These issues then need to be picked up in other portfolio areas such as health, education, welfare assistance and that sort of thing. That dimension is another issue that we have not coordinated very well within our policy architecture.⁷⁴

69 *Proof Committee Hansard*, 9 September 2014, p. 44.

70 *Proof Committee Hansard*, 28 July 2014, p. 41.

71 *Proof Committee Hansard*, 10 November 2014, p. 24.

72 *Proof Committee Hansard*, 10 November 2014, p. 24.

73 *Proof Committee Hansard*, 9 September 2014, p. 16.

74 *Proof Committee Hansard*, 9 September 2014, p. 13. The issue of spatial disadvantage was also addressed in chapter 7.

13.46 This lack of access to transport, services, education and jobs also has productivity implications for Australia. In this regard, Mr Adrian Pisarski, National Shelter, indicated that Australia would 'suffer major productivity consequences because the country's workforce will not be located where it is needed'. He observed that people who want opportunities to educate themselves or receive medical services or get a job would not be close enough to do it. So, in his view, Australia had in the making, 'a really major productivity issue over the long term'.⁷⁵

Security of tenure

13.47 Professor Andrew Beer, Centre for Housing, Urban and Regional Planning (CHURP), referred to the growing trend of Australians remaining in private tenancy for longer periods of time throughout their life. He told the committee that, in reality, renting for many people was no longer a transitional phase but a stage that would occupy most of their lifetime. Although people may stay in the private rental market, they often move from dwelling to dwelling and in many cases unwillingly. In this regard, Professor Beer observed:

We found that involuntary moves were a major reason why people moved from one tenancy to the next—that is, they are being evicted because the landlord either wants the property back for another purpose, or they have been deemed to be a poor tenant, or the rent has gone up and they are being forced to move...But that is only one of the reasons people move.⁷⁶

13.48 According to Professor Beer, there was an attempt several years ago to introduce seven-year leases but he did not think that the proposal 'ever really took off in any substantial way'. He explained further:

The structure of our housing industry supply for the private rental market is such that most landlords are investing in the private rental market in order to achieve capital gains rather than returns on investment. This therefore means that they want to be able to liquidate their asset at any point in time, and so they are unwilling to give longer term leases.⁷⁷

13.49 In its submission, the Institute for Social Research, Swinburne University of Technology, also commented on the structure of the Australian private rental market. It stated:

...lease lengths are typically very short, rents can be increased at regular intervals, and tenants have little control over their home, and in most jurisdictions can be asked to leave with very little notice compared with many developed countries.⁷⁸

75 *Proof Committee Hansard*, 10 September 2014, p. 33.

76 *Proof Committee Hansard*, 28 July 2014, pp. 12–13.

77 *Proof Committee Hansard*, 28 July 2014, p. 13.

78 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 3.

13.50 Indeed, many witnesses referred to uncertain tenure as a major concern.⁷⁹ In its submission, National Shelter suggested that the rental market 'was not currently set up to meet the needs of long term tenants'. It noted that investors were mainly small households with only a marginal attachment to the rental market, which meant that they were unable to provide any level of security for their tenants. Furthermore, the regulation of the industry was based around short-term tenancies and short notice periods for eviction, even where there was no breach of tenancy conditions.⁸⁰

13.51 In this context, Dr Stone recorded that 40 per cent of renters move three or more times in a five-year period, which represented eight per cent for all households.⁸¹ She stated further:

The private rental sector at the moment is creating disadvantaged households, wearing them down through move after move after move, and not enabling the sort of maintenance that social housing once did or the growth that home ownership provided to households.⁸²

13.52 Lower income tenants experience these disruptions most keenly, particularly vulnerable groups such as disability tenants, families with children and indigenous households.⁸³

Cost of moving

13.53 In its submission, the National Affordable Housing Consortium noted that one thing often overlooked in the regular tenancy law reviews was the personal and systemic costs that resulted from a bias to short term lets and a disaggregated rental investment market. In its view, these were 'really national housing policy matters rather than residential tenancy law matters'.⁸⁴ A number of submitters have similarly referred to this lack of security in tenure and the associated costs of moving borne by the people who least could afford it. Dr Kazakevitch, Associate Professor Frost and Mr Borrowman voiced the views of many other witnesses when they stated that lower-income groups were the sector of the rental market least able to cope with the cost of moving:

Repeated moving reduces their ability to cope with these burdens, eats into savings and depletes stocks of social capital that have been built up in a current location.⁸⁵

79 See for example, Ms Molly Johnson, *Proof Committee Hansard*, 30 July 2014, p. 60 and Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*.

80 *Submission 78*, pp. 4–5.

81 *Proof Committee Hansard*, 9 September 2014, p. 11.

82 *Proof Committee Hansard*, 9 September 2014, pp. 11–12.

83 *Proof Committee Hansard*, 9 September 2014, p. 11.

84 *Submission 101*, p. [5].

85 *Submission 23*, p. 11.

13.54 Mr Pisarski highlighted some of the costs incurred for a family changing schools, doctors, and pharmacists:

When you rent a property, every time you are asked to vacate the property all of those networks that you build in a local community need to be changed. That is a really major problem and a major cost for tenants over the long term. If you have to do that, even once every two years, and you are a tenant for 10 years or more—as most are now—then that is five major moves that you have to pay for. That is a huge cost impost on tenants.⁸⁶

13.55 In a similar vein, HomeGround Services referred to the financial and practical hardships caused by frequent moves.⁸⁷ It noted the difficulties that the lack of security of tenure in private renting can pose for vulnerable tenants, including having to bear the costs of frequent moves and exposure to unfair dealings by landlords. According to HomeGround, Australian jurisdictions, compared to other countries, provide very low levels of secure tenancy, imposing significant social costs on tenants and the wider community.⁸⁸ Importantly, the additional costs of relocating and the disruption to education, employment, and social networks and services may mean that a household decides that a move is economically unviable or, for personal reasons, unpalatable. Mr O'Brien noted that the high cost of moving may mean that a tenant is prepared to settle for a higher rent rather than exercise the choice of changing houses. In his view, tenants will tolerate rent rate increases to a significant degree, even low-income tenants. He observed:

The amount of money that low-income tenants are spending on rent is extraordinary. It is no wonder they have no money left for other essentials. People will tolerate a lot for the security that their housing affords them.⁸⁹

13.56 Clearly, households under rental stress are forced to make difficult choices between expenditure on necessities—whether to cut back spending on heating, education, health services or even food.⁹⁰ Housing stress is indeed another name for poverty.

Rights of tenants

13.57 This matter of insecure tenancy in Australia introduces the issue of tenants' rights. Mr David Chandler OAM, an independent industry adviser and advocate for Australia's construction and housing industry, believed there were flaws in the private rental market, which he described as:

86 *Proof Committee Hansard*, 10 September 2014, p. 39.

87 *Submission 70*, pp. 4–5.

88 *Submission 70*, p. 5.

89 *Committee Hansard*, 9 September 2014, p. 46.

90 Dr Kazakevitch, Professor Frost and Mr Borrowman, *Submission 23*, p. 12.

...opportunist, often volatile and in some instances landlords do not meet reasonable expectations.⁹¹

13.58 In this regard, Professor Beer referred to what he termed 'clear analysis by legal scholars working in this area' that showed that the rights of tenants in virtually every jurisdiction in Australia compared to Europe and other places were 'relatively weak'. From his perspective, Australian tenancy legislation favoured the landlord rather than the tenant.⁹² He referred to early research when evictions in South Australia were around 10,000 a year. In part, he attributed this high figure to the tendency of tenants to accept that they had to move on. Professor Beer explained:

Even though they could take the landlord to the Residential Tenancy Tribunal when the landlord was trying to move them on, most tenants simply did not even bother to turn up to the hearings. So there is a culture of accepting the relative powerlessness of tenants in the rental market.⁹³

13.59 In his view, people accepted this lack of power and the belief they had few rights. Furthermore, according to Dr Beer, the fact that most tenancies were for either a six-month or a 12-month period also contributed to evictions.⁹⁴ Dr Martin agreed with the proposition that tenancy was 'unnecessarily insecure'.⁹⁵ He explained that rental occupancy was insecure because 'tenancy laws, in every Australian state and territory, allow for tenancies to be terminated without grounds'.⁹⁶ Mr Pisarski informed the committee that at the moment landlords were able to evict tenants without cause at the end of any lease. Consistent with the evidence of other witnesses, he stated that most leases in Australia were typically signed for six or 12 months.⁹⁷

13.60 On this same matter, Dr Stone noted the wealth of evidence in Australia concerning problems created by structural conditions at access points for tenants in terms of competition policies, which included discriminatory letting, frequent rent increases and poor standards. She referred to an industry that basically supported such practices including landlords increasing the rent regularly. She also spoke about 'an environment of fear in which tenants cannot report problems without being evicted or having rental increases'. Importantly, she drew attention to forced and unwanted movement in rates which were far in excess of other countries considered as good models.⁹⁸

91 *Submission 27*, p. 4.

92 *Proof Committee Hansard*, 28 July 2014, p. 13.

93 *Proof Committee Hansard*, 28 July 2014, p. 13.

94 *Proof Committee Hansard*, 28 July 2014, p. 13.

95 *Proof Committee Hansard*, 10 November 2014, p. 63.

96 *Proof Committee Hansard*, 10 November 2014, p. 63.

97 *Proof Committee Hansard*, 10 September 2014, p. 39.

98 *Proof Committee Hansard*, 9 September 2014, p. 11.

13.61 One group of submitters, Dr Kazakevitch, Associate Professor Frost and Mr Borrowmann, added weight to the contention that the Australian rental market did 'not provide the same level of protection to renters as in other Western countries', which particularly disadvantaged long-term tenants.⁹⁹

13.62 A number of other submitters also mentioned discrimination by landlords and estate agents when selecting tenants and how low vacancy rates and increasing competition between potential tenants only make the situation worse for low-income renters or groups with particular housing needs.¹⁰⁰ For example, the Tenants' Union of NSW noted the high number of renters (both low income and otherwise) who were reluctant to assert their tenancy rights. The Tenants' Union referred to a recent survey, which suggested that 79 per cent of tenants had put up with a problem rather than assert their rights.¹⁰¹ The Western Community Legal Centres registered the same concern that 'in a climate where the vacancy rate is low', tenants were reticent to exercise their rights under the relevant state tenancy laws or seek help. They gave the example of tenants not requesting repairs to be carried out or not taking landlords to the Victorian Civil and Administrative Tribunal (VCAT) over unfair rental increases for fear of eviction.¹⁰²

Benefits of affordable, appropriate and secure housing

13.63 Secure tenancy, affordable rents and appropriate housing have a critical role in setting the foundations for a healthier and more productive population, which in turn contributes to a strong economy and to government savings.¹⁰³ Dr Kazakevitch, Associate Professor Frost and Mr Borrowman contended:

Access to housing is a cornerstone of economic development and welfare. Once a household has secured adequate housing, further important life decisions can be made with more degrees of freedom.¹⁰⁴

99 *Submission 23*, p. 3. See also the Western Community Legal Centres, *Submission 44*, p. 11, which stated: 'It is important to note that in a climate where the vacancy rate is low, tenants are often reluctant to exercise their rights under the Residential Tenancies Act 1997 (RTA) or to seek help. For example, tenants may not request repairs to be done or take landlords to VCAT over unfair rental increases for fear of facing evictions'.

100 See, for example, Tamworth Regional Council, *Submission 12*, p. 3.

101 *Submission 120*, p. 11.

102 *Submission 44*, p. 11. Also see Jane Berry, *Home Sweet Home—Act for the house not the tenant*, Footscray Community Legal Centre Inc., 2013, http://www.footscrayclc.org.au/images/stories/home_sweet_home_act_for_the_house_not_the_tenant_report_2013.pdf (accessed 19 February 2015).

103 See, for example, Dr Julie Lawson and Professor Mike Berry, RMIT University, *Submission 24*, p. 3; Western Australian Local Government Association, *Submission 37*, p. 2; National Foundation for Australian Women ACT, *Submission 38*, p. 2; JELD-WEN Australia, *Submission 54*, p. 2; Inner South Rooming House Network, *Submission 58*, p. 1; HomeGround Services, *Submission 70*, p. 2.

104 *Submission 23*, p. 4.

13.64 Dr Julie Lawson and Professor Mike Berry, RMIT University, stated simply that few material concerns were more important to Australians than the homes they live in:

Secure, affordable housing contributes to our sense of security, individual wellbeing, health and supports family stability.¹⁰⁵

13.65 Drawing on the research on secure occupancy in rental housing, they stated that:

The rental market has the potential to provide a refuge, oasis and stepping stone for an increasing number of households. However, compared to other advanced economies Australia's rental housing is the least secure and most neglected pillar of our housing system.¹⁰⁶

13.66 Mr Scott Langford, Junction and Women's Housing, argued that people who might be experiencing social and economic disadvantage need access to appropriate services, so they can sustain their tenancy. According to Mr Langford, secure tenancy was the bedrock of building capacity for social and economic participation. In a policy context, he urged consideration be given to such matters so that the policy design and solutions do not focus only on the bricks-and-mortar aspect.¹⁰⁷

13.67 Professor Pawson also underscored the benefits of having access to long term tenure that provides continuity, security and predictability.¹⁰⁸ As did Mr Rod Astbury, Western Australian Association for Mental Health, who suggested that safe and secure housing reduces the likelihood of mental ill health. He argued that stable tenure:

...contributes to effective recovery, and it maximises the opportunity for people with mental health issues to lead fulfilling and contributing lives.¹⁰⁹

13.68 Ms Maria Palumbo, Community Housing Council of South Australia, noted the results from a preliminary survey on the benefits to the community stemming from long term tenure. She reported that, according to conservative estimates based on calculations on 15 people so far, the benefits range from 'something like a \$5,000-per-year return to the community up to about \$60,000 per year'. She explained:

For the program we are running, if you think about costs, it is about an \$8,000 package of support per person. In the case of homelessness, that is actually considered expensive, but that is because we have run on this transitional model that is about \$3,000 a person and that is about churn. This works on a housing-first model that is a lot more long term. It costs about \$8,000 a person, but compared with institutional care it is actually

105 *Submission 24*, p. 5.

106 *Submission 24*, p. 6.

107 *Proof Committee Hansard*, 28 July 2014, p. 30.

108 *Proof Committee Hansard*, 10 November 2014, p. 41.

109 *Proof Committee Hansard*, 11 November 2014, p. 34.

really cheap. It prevents people from returning to institutional care, hospitalisation and the like.¹¹⁰

13.69 She conceded that the best return comes when people get jobs. She noted:

Where they are moving from welfare into employment, those returns can be quite large, and in fact we have had those outcomes. But then there are other returns to the community, where people have become more productive. Those people are not as costly, if you like, because they are not using services as much—they have reduced their need for services. And they are more productive in that they are volunteering more and are involved in community. So, for each different case the return is different, because people have different capacity. There are people who are never going to be able to work, but there is still a return that we can actually calculate and value. And there are people we can move into a place where they are actually employed and contributing, where the return is quite high.¹¹¹

13.70 Conversely, inadequate and insecure housing may give rise to escalated domestic violence and overcrowding and poor educational, employment or health outcomes.¹¹²

13.71 Dr Baker, CHURP, referred to research that looked at the difference between being in precarious, unaffordable and insecure housing versus equally uncertain employment. She explained that when comparing the two, it was housing that 'really' affected mental health within the household.¹¹³ Dr Maree Petersen, University of Queensland, also linked secure housing with the health and wellbeing of tenants. She stated simply:

The amount of anxiety and stress that is associated with the threat of eviction is extraordinary. If you have other issues in your life as well, like a very limited income and limited resources, that all adds up.¹¹⁴

13.72 Likewise, in their publication, *Exploring the Bi-directional Relationship between Health and Housing*, Dr Emma Wood and colleagues drew a similar direct and positive connection between health and housing and housing and health.¹¹⁵

110 *Proof Committee Hansard*, 28 July 2014, p. 39.

111 *Proof Committee Hansard*, 28 July 2014, p. 39

112 See, for example, Professor Haslam McKenzie, *Proof Committee Hansard*, 11 November 2014, p. 39.

113 *Proof Committee Hansard*, 28 July 2014, p. 17.

114 *Proof Committee Hansard*, 10 September 2014, p. 15.

115 Dr Emma Wood et al, 'Exploring the Bi-directional Relationship between Health and Housing in Australia', *Urban Policy and Research*, vol. 32, no. 1, pp. 71–84.

Overseas experiences—security of tenure

13.73 A number of witnesses referred to the stable rental markets in countries such as Germany. For example, Mr Pisarski noted that in some European countries, a tenancy can be entered into lasting over a decade or 20 years or more with 'really solid rights' within that agreement. This practice, which favours long-term tenancy, means that institutions were more likely to invest in residential property because they have long-term certainty as well. In his view, it was 'a win-win for everybody'.¹¹⁶

13.74 The National Affordable Housing Consortium also noted that other countries had achieved the goal of renters being able to enjoy stability and longevity and with a greater measure of control in rented housing.¹¹⁷ Dr Vivienne Milligan, City Futures Research Centre, contrasted the different approaches to renting:

If you are a renter in Germany you can choose and put in your own kitchen. If you are in Australia you cannot put a pot plant on the carpet in case it leaks.¹¹⁸

13.75 Professor Beer was another witness who cited Germany as an example of a country with a much larger private rental market where government subsidies supported and underpinned long-term tenancies. He remarked that both German and Austrian leases were often for 10 years.¹¹⁹ Also drawing on overseas experiences, Ms Marie Coleman, National Foundation for Australian Women, noted that in a number of European nations and in Britain people expected to have very considerable security of tenure in their rental arrangements. She stated:

It is one of the reasons why so many people are very happy to live in a rental situation—because they know it is unlikely that the house that they are living in is going to be sold out from underneath them.¹²⁰

13.76 Ms Coleman contended that if Australia were to have more long-term housing investments, which may be group housing or apartment living, satisfactory outcomes for long-term renters would be far more likely.¹²¹ Mr O'Brien also cited overseas countries where tenure arrangements worked largely with indefinite tenancies. He explained:

They do not have a fixed term. They do not have any term in particular, because the presumption is that the tenant will remain in occupation and it

116 *Proof Committee Hansard*, 10 September 2014, p. 39.

117 *Submission 101*, p. [5].

118 *Proof Committee Hansard*, 10 November 2014, p. 41.

119 *Proof Committee Hansard*, 28 July 2014, p. 13.

120 *Proof Committee Hansard*, 30 July 2014, p. 57.

121 *Proof Committee Hansard*, 30 July 2014, p. 57.

is actually difficult for a landlord to get back possession. The circumstances under which a landlord can get back possession are very limited.¹²²

13.77 In his view, that approach to long term tenancy 'actually changes the culture of thinking about how tenancy arrangements should work for everybody involved, including people involved in a policy sense'.¹²³

Evictions and rent increases

13.78 Dr Petersen, University of Queensland, undertook a national study in 2013, which revealed that, in some cases, people who had conventional lives found themselves facing homelessness. In her view, these situations arose as a result of evictions under Australia's tenancy laws. She cited people being given a notice to vacate, people whose housing was inaccessible or who were not able to remain in their rental property because the landlord was unwilling to make modifications. People may have fallen into rent arrears or events had happened in their lives—such as ill health or loss of a spouse—which meant there was only the one pension from which to pay that rent.¹²⁴ In some instances, tenants unwilling to move may be forcibly evicted. According to Dr Petersen, in some European countries there was a right to housing, unlike in Australia where there was no such right. She explained that if people do become homeless in some European countries, they do not remain homeless—they have that right to be housed:¹²⁵

...people can have leases for six years and they cannot have more than one rent increase a year. Those kinds of things are inbuilt. But the countries in Europe that have that also are a part of international treaties. So there is not only a very different culture but a very different law and a very different social housing system. There is an acceptance of private rentals. There are lots of differences there.¹²⁶

13.79 For example, in contrast to this form of stable tenure, landlords in Victoria can increase rents every six months with 60 days' notice, unless a fixed term tenancy is in place. In its submission, the Tenants Union of Victoria referred to tenants facing eviction after being in arrears for more than 14 days.¹²⁷

Security of tenure—solutions

13.80 There was general agreement that current practices in Australia of short-term tenancies and the ability of landlords to raise rents and to terminate a tenancy work

122 *Proof Committee Hansard*, 9 September 2014, p. 45.

123 *Proof Committee Hansard*, 9 September 2014, p. 45.

124 *Proof Committee Hansard*, 10 September 2014, p. 10.

125 *Proof Committee Hansard*, 10 September 2015, p. 15.

126 *Proof Committee Hansard*, 10 September 2014, p. 13.

127 Tenants Union of Victoria, *Submission 119*, p. 5.

against the interests of low-income earners in the rental market. Evidence pointed to a number of areas where improvements could be made. One of the many witnesses who referred to the lack of security in tenure, Mr Pisarski, called for tenancy law reform. He saw the need to create law in Australia that would provide tenants with the sort of certainty that European tenants enjoy.¹²⁸ Also, from Mr Yates' perspective, the challenge was to create an environment in which there was security on both sides. He suggested:

At the moment we do not have that legislative facility so it would be about working out how to create the opportunity for it to happen rather than forcing it to. I certainly think there would be significant upheaval if you suddenly said people must have 10-year leases. That would not suit either side. But create the opportunity for longer-term arrangements to be developed because, on the developer side, that would create some certainty too in financing arrangements and so on...the possibility that we would bring tenancy legislation up to the federal level.¹²⁹

13.81 To overcome the legal insecurity, Dr Martin maintained that Australia needed to have tenancy laws that would 'provide for termination on a reasonable set of prescribed grounds and do away with no-grounds terminations'.¹³⁰

Change in mindset for long term tenancies

13.82 Some of the witnesses favoured a gradual shift in attitudes in Australia toward accepting long term-tenancies. Dr Stone argued that a key objective would be to change the culture so that Australia would have a private rental sector that would be 'a good place to be for all households', including lower-income and highly vulnerable lower-income households. In her view, 'If we make it [renting] a good place to be for everybody, the problems at the lower end will also be resolved'.¹³¹ Dr Stone suggested that over time, changes in regulation, if they were substantial and well supported, would hopefully 'change the culture of renting and the culture of landlordism'. She referred to some of the excellent overseas models and how they could be applied in the Australian context.¹³²

Small investors and estate agents

13.83 Professor Dodson spoke of the need to review the duration of tenancies and the procedures around rolling over or cancelling leases. He was particularly interested in the current structure of Australia's rental market:

128 *Proof Committee Hansard*, 10 September 2014, p. 39.

129 *Proof Committee Hansard*, 28 July 2014, p. 27.

130 *Proof Committee Hansard*, 10 November 2014, p. 63.

131 *Proof Committee Hansard*, 9 September 2014, p. 26.

132 *Proof Committee Hansard*, 9 September 2014, p. 26.

Anecdotal evidence I have heard suggests that the increased number of investors in the rental market who are absentee landlords—in the sense that they allow real estate agents to manage their property rather than have a direct relationship with the tenants—has created an incentive on the part of the real estate agents to roll over short-term leases and charge a fee to the landlord so that they are generating income from their part of the business—obviously there is a rational incentive to do that—but that leads to shorter duration leases for tenants and increasing interaction with the real estate agents because of the need to inspect properties on a three-monthly basis and that sort of thing, which has issues...in terms of privacy and those sorts of things.¹³³

13.84 According to Professor Dodson, consideration should be given to the way rental tenancies operate in terms of the renewal and length of leases 'to provide for more medium-term security'. In this regard, he advocated reducing 'the incentives for agents within the market to extract income from a process that was of limited value to landlords and to tenants'.¹³⁴

13.85 Dr Martin also referred to the rental market as structurally insecure because of the many smallholding landlords in the market on a speculative basis with the strategy of being able to sell the property into the owner-occupier market at a time that was optimal for them. He explained that in order to sell into such a market, the landlord needed to be able to sell without a tenant.¹³⁵ Dr Martin suggested that reform was required to encourage a different sort of landlord—one who holds property on the basis of receiving a steady trickle of rental income. In his words, there was a need to attract 'an institutional landlord with a long-term view and less interested in chasing speculative gains'.¹³⁶

13.86 Dr Ian Winter, AHURI, was of the view that longer term tenancies could be achieved through regulation of the smaller mum-and-dad investors. But, according to Dr Winter, the best way of getting secure, long-term tenure at affordable rents would be to grow the housing association sector.¹³⁷ The committee looks at the community housing sector in a chapter 15.

Tenant protection

13.87 National Shelter noted the importance of tenants having the 'kind of legal protections that are appropriate for a long-term housing option'. It conceded that tenancy law was primarily a state and territory responsibility, but argued that at the

133 *Proof Committee Hansard*, 9 September 2014, pp. 26–27.

134 *Proof Committee Hansard*, 9 September 2014, pp. 26–27.

135 *Proof Committee Hansard*, 10 November 2014, p. 63.

136 *Proof Committee Hansard*, 10 November 2014, p. 63.

137 *Proof Committee Hansard*, 9 September 2014, p. 27.

national level the main focus could be on coordinating legislation and developing best practice models.¹³⁸ It recommended that:

- the Australian, state and territory governments work together to develop best practice standards for tenancy legislation;
- these standards be geared towards developing a framework for longer-term leases as opposed to the current focus on short-term tenancies; and
- these best practice standards include
 - improved coverage of marginal forms of housing such as boarding houses and caravan parks,
 - better protection against eviction, including removal of 'without grounds' evictions (with careful codification of appropriate grounds) and consideration of extended notice periods,
 - ongoing regulation of residential tenancy databases,
 - minimum standards of safety and habitability, and
 - mitigation of excessive rent increases.¹³⁹

13.88 As noted earlier, the Western Community Legal Centres noted that in a climate where the vacancy rate was low, tenants were often reluctant to exercise their rights or to seek help.¹⁴⁰ They recommended that the State Government legislate for an independent body such as an ombudsman or Consumer Affairs Victoria to have special powers under the Residential Tenancies Act (RTA) to act for the tenant and pursue the landlord for costs.¹⁴¹

13.89 The Tenants Union of Victoria suggested that state governments need to do better with their laws regulating rents in the private rental market. The Union was not necessarily referring to rent control, but the current arrangements at a state government level, which were very focused on allowing the market to run its course. In its view, that approach has clearly had the effect of locking many low-income households out of the market.¹⁴²

13.90 Dr Petersen thought that there were some lessons to be learnt from considering the tenancy laws. She mentioned, however, the importance of keeping in mind the differences in jurisdictions when considering policy transfer.¹⁴³

138 *Submission 78*, p. 12. Dr Petersen was of the view that there were some lessons to be learnt from considering the tenancy laws. *Proof Committee Hansard*, 10 September 2014, p. 15.

139 *Submission 78*, p. 12.

140 Western Community Legal Centres, *Submission 44*, p. 11.

141 Western Community Legal Centres, *Submission 44*, p. 3.

142 *Proof Committee Hansard*, 9 September 2014, p. 43.

143 *Proof Committee Hansard*, 10 September 2014, p. 15.

Conclusion

13.91 There is a chronic shortage of affordable rental properties for low- to moderate-income earners. Rents are increasing at a rate above that of household incomes and this widening gap shows no discernible signs of abating. Australia's private rental market is not only growing and becoming a 'very mainstream housing market' but its profile is changing with increasing numbers of higher-income earners opting to rent and to rent longer. This shift means that there is greater competition in the private rental market with people better able to afford the high rents crowding out lower income earners who have no choice but to rent.

13.92 The number of landlords whose primary interest is with capital gains and tax advantages from their investment rental property means that home maintenance and repairs and having an energy-efficient building and appliances are not a priority. Renters are then faced with expensive gas and electricity bills that add to the already high cost of their housing.

13.93 Low-income renters not only struggle to pay high rents and associated housing costs but are also subject to involuntary moves. The rental market in Australia is structured around short-term tenancies and it is the lower income tenants who experience these disruptions most keenly, particularly vulnerable groups such as disability tenants, families with children and Indigenous households.

13.94 The changing nature and composition of Australia's rental market has had a profound effect on lower income households, many of which are families with children. Single people on low incomes also face difficulties accessing affordable and appropriate housing. Indeed, the number of households under housing stress and severe housing stress is increasing. As Dr Martin noted, 'what we call "housing stress" is poverty by another name'.¹⁴⁴ With rent eating into their disposable income, families and individuals have to make hard choices. They must decide whether to disrupt their lives and bear the costs of moving to a cheaper location with fewer services, isolated from social networks, and with increased transport costs or to stay put, continue to pay higher rents and forgo expenditure on education, health and other essentials.

13.95 A number of witnesses identified the need for cultural change in Australia—a gradual shift in attitudes—that would favour longer term tenancies as a high-level objective. This aspirational goal of having longer, stable and secure tenancy with reasonable rent rises is certainly desirable but more concrete action must be taken to reform tenancy laws to ensure that the rights of low-income renters are appropriately protected.

13.96 The committee is also of the view that the Commonwealth should be taking an active part in driving the process of attitudinal change that would produce a general acceptance and encouragement of longer term tenancies in Australia.

144 *Proof Committee Hansard*, 10 November 2014, p. 66.

Recommendation 18

13.97 As a national policy issue, affordable home ownership tends to overshadow affordable renting even though many Australians struggle to access affordable and appropriate housing in the rental market. With this in mind, the committee recommends that the Australian Government recognise affordable renting as a mainstream form of tenure in Australia and place it prominently on the national policy agenda.

13.98 Given that renting will be the only form of housing for many Australians, one of the key challenges for government is to change the traditional view of renting as a short-term transitional phase. The committee recommends that the Australian Government in collaboration with the states and territories, through the recommended ministerial council on housing and homelessness within COAG, start the urgent process of turning around this acceptance of short-term insecure tenure as normal. As a first step, the committee recommends that the proposed ministerial council consider tenancy regulations in the various jurisdictions with a view to delivering greater security for long-term renters.

13.99 Renters in a very tight rental market and with little bargaining power are also in a weakened position when it comes to protecting their rights as tenants. Current tenancy practice and laws leave them vulnerable.

13.100 The committee acknowledges that this area of law is the responsibility of the states. Nonetheless, it urges them to consider carefully their tenancy laws with a view to putting in place a framework underpinned by that aspirational goal of creating longer, safer and secure tenancies with reasonable rent rises.

13.101 The committee believes that the Australian Government has a definite leadership role in supporting the states and territories to establish best practice tenancy requirements that would include:

- minimum standards of safety and habitability, including dwellings that are comfortable to live in and efficient to heat and cool;
- stability and fairness of rent prices (and what constitutes reasonable rent increases);
- security of tenure (including fair and just eviction laws); and
- better protection for vulnerable groups in marginal housing such as boarding houses and caravan parks.

13.102 Furthermore, the committee believes that tenants should also have access to a dispute resolution body and be able to pursue their cause without fear of recrimination from their landlord.

13.103 Evidence presented to this inquiry indicated strongly that affordable renting must be recognised as a mainstream form of tenure in Australia's housing system. With an increasing proportion of Australians now seeing renting as their only option,

including the emergence of 'renters for life' and an increasing number of renters under pressure from a lack of choice and unaffordability, improving the conditions of rental stock as well as the rights of tenants is now considered overdue. There is no national standard that governs the rental market, and very little advocacy or support provided to tenants, in an asymmetrical market where the owner or landlord holds most of the power. More than 95 per cent of the rental housing market is provided by the private market, and as such, strong protections of consistent, national standards is appropriate. The committee notes there are national standards that govern education and healthcare services, work safety and even bike parking facilities. The private rental market should not be an exception.

Recommendation 19

13.104 Considering the evidence presented to this inquiry, the committee recommends that the states and territories review their tenancy laws to ensure that all rental properties are required to meet minimum standards.

Recommendation 20

13.105 The committee also recommends the Australian Government:

- together with the states and territories, investigate national minimum standards that would set specific minimum standards including security of tenure, stability and fairness of rent prices, a new efficiency and comfort standard, safety and security of the home, and better protection for groups in marginal housing;
- review (and increase) funding levels and access to tenancy advice services;
- in recognition of the value of tenancy advice services, make funding through NAHA conditional on the states and territories ensuring that they have in place adequate tenancy advisory services; and
- include as a priority for the re-established Housing Supply Council (see recommendation 2) to review and publish detail on the current national rental affordability gap.

Recommendation 21

13.106 Recognising the reluctance of tenants to exercise their rights under the respective residential tenancies legislation in each state, the committee recommends that the states review their existing system for settling tenancy disputes. The committee recommends further that the states consider establishing an independent body such as an ombudsman or giving specific powers to their consumer affairs agencies to act for tenants. Again, the committee recommends that the Australian Government act as a catalyst through the COAG process to encourage the states and territories to establish dispute resolution bodies that provide easier and less expensive access to a mechanism for the resolution of tenancy matters.

Chapter 14

Social Housing

14.1 In 2011–12, there were 2.6 million households renting either privately, which accounted for 30 per cent of all Australian households, or through social housing programs, which amounted to five per cent of all Australian households.¹ The committee has noted the critical role that the private rental market has in providing affordable and appropriate housing. In this chapter, the committee examines social housing in Australia and its contribution to the supply of affordable houses. The focus of this chapter is on public housing as a component of social housing. The committee considers community housing as the second component of social housing in the following chapter.

Definitions

14.2 In this report, the committee draws on the definitions of social, public and community housing used by the Institute of Health and Welfare (AIHW).

Social housing

14.3 Social housing is rental housing that is funded or partly funded by government; owned or managed by government or a community organisation; and let to eligible persons. This includes public rental housing, state owned and managed Indigenous housing, mainstream and Indigenous community housing and housing provided under the Crisis Accommodation Program.² Social housing refers to both the government and community sectors that collectively provide more than 400,000 dwellings, usually at below-market rents, to low-income households and other Australians in need.³

Public housing

14.4 Public housing is rental housing provided and managed by state and territory governments and includes households living in public rental dwellings where the dwelling is either:

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- 1 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 1, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
 - 2 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 86, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
 - 3 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 2 and 8, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

- owned by the housing authority;
- leased from the private sector or other housing program areas and used to provide public rental housing; or
- leased to public housing tenants.⁴

Community housing

14.5 Community housing (mainstream) is housing provided for low- to moderate-income or special needs households, which community-based organisations manage. Community housing models vary across jurisdictions with a variety of groups, including government, owning the housing stock.⁵

Statistics—social housing

14.6 Recent AIHW figures record that at 30 June 2013 around 414,000 households were living in social housing.⁶ According to the Institute, projections indicate that in 2021, relative to 2009, demand for social housing would increase across most states and territories. As an example, it was projected that Hobart would experience a rise in demand of approximately 19 per cent and Perth 55 per cent.⁷ The statistics compiled by the Institute also show the number of applicants waiting for social housing, including those on the public housing waiting list, is continuing to grow with supply failing to keep up with the growing demand.⁸ According to the AIHW, as at 30 June 2013, there were over 217,000 households on public rental housing, state owned and managed Indigenous housing and mainstream community housing waiting lists across Australia.⁹

4 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 85, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 81, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015). The Institute also records that in 2013, there were around 421,000 social housing dwellings across Australia, see p. 28.

7 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

8 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

9 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Public housing

14.7 In Australia, public housing has traditionally provided the safety net for people unable to find affordable accommodation in the private sector. Although each respective state sets the rent payable, generally it is assessed at 25 per cent of the gross household income.

14.8 Professor Beer suggested that public housing accounted for around four per cent of housing stock but it varied significantly on a state-by-state basis. He noted that the United Kingdom had a much larger social housing stock than Australia—roughly 18 per cent of its housing stock.¹⁰ According to Professor Beer, even the United States, which is thought of as the classic neoliberal state, tends to have on average a social housing stock no smaller than Australia. Dr Lawson and Professor Berry, RMIT University, also observed that Australia had one of the lowest rates of social housing amongst advanced economies, including the US.¹¹ Stellar Living similarly suggested that investment in affordable housing, including public and social housing, in Australia was one of the lowest in the more advanced 'first world' countries.¹² According to the Institute for Social Research, Swinburne University of Technology, at a minimum public housing should be around 6 per cent of stock but preferably more.¹³

Fall in number of public houses

14.9 In June 2013, the number of public rental dwellings stood at around 328,340, which equated to 78 per cent of the total social housing stock. The number of new allocations to public housing, however, has declined over the past five years from almost 31,000 in 2003–04 to 20,000 in 2009–2010.¹⁴ Even though there have been new allocations of rental properties to the public stock (though less than allocations made in previous years), the overall numbers of public dwellings fell by approximately 13,000 between 2006 and 2013. This reduction has led to 'an increased

10 *Committee Hansard*, 28 July 2014, p. 16.

11 *Submission 24*, p. 9.

12 *Submission 3*, p. 1.

13 *Submission 86*, p. 3.

14 National Regulatory System for Community Housing Providers, a Joint Initiative of Commonwealth, State and Territory Governments, Decision Regulation Impact Statement, p. 5, <http://ris.dpmc.gov.au/files/2013/05/NRS-Community-Housing-DRIS.pdf> (accessed 19 January 2015).

rationing of public housing, with three quarters of the 20,000 newly allocated tenants of public rental housing in 2009–2010 classified as being in greatest need'.¹⁵

14.10 The Women's Housing Company referred to the 'chronic underinvestment' over the years in new or renewed public housing, which, in its view, resulted in a failing system that would continue to deteriorate without 'substantially increased investment'.¹⁶ Using South Australia as an example, Dr Clark, Shelter SA, referred to the statistics showing the decrease in public housing over the last 10 years. In the years 1990 to 1991 there were 62,027 occupied dwellings in South Australia which, by 2009–10, had dwindled to 43,856 resulting in about 20,000 fewer social houses.¹⁷ Mr Schrapel, Uniting Communities, also noted the significant reduction in South Australia's public housing stock. He stated:

...taking 20,000-plus properties out of public housing and not replacing them with the same number of properties and community housing is putting a lot of pressure, particularly on people on low incomes who are having to rely on the private rental market.¹⁸

14.11 More generally, Master Builders Australia noted that public housing was 'stepping back from providing social housing, with community housing taking on an increasing workload'.¹⁹

Waiting Lists

14.12 As the pool of public houses shrinks, the waiting list grows. At 30 June 2013, there were 158,971 applicants registered for access to public rental housing (up from 147,065 at 30 June 2009).²⁰ Master Builders Australia ACT noted that the number of greatest needs applicants on waiting lists quadrupled in the three years to 2010–11, with waiting times for public housing rising in 2011–12 to an average of 2.6 years for those in greatest need, and 7.7 years for all applicants on the waiting list.²¹

15 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 1, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015) and National Regulatory System for Community Housing Providers, a Joint Initiative of Commonwealth, State and Territory Governments, Decision Regulation Impact Statement, p. 5, <http://ris.dpmc.gov.au/files/2013/05/NRS-Community-Housing-DRIS.pdf> (accessed 19 January 2015).

16 *Submission 52*, p. 1.

17 *Proof Committee Hansard*, 28 July 2014, p. 29.

18 *Proof Committee Hansard*, 28 July 2014, p. 29.

19 *Submission 48*, p. 18.

20 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.58, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

21 *Submission 48*, p. 18.

14.13 As an example of the size of this waiting list, Mr Grahame Searle, Department of Housing, Western Australia (WA), informed the committee that in his state there were about 19,000 families (down from 24,000) or 44,000 people on the waiting list. Western Australia also has a priority list with 2,800 applicants representing about 5,000 people. Mr Gregory Cash, Department of Housing, WA, explained that to be on the crisis list a person had no alternative options other than public housing, and had 'no demonstrated ability to access other forms of housing relatively easily'.²² They would 'largely be staying with family and making interim and transitory arrangements and some would be in short-term accommodation'.²³ Women on the list endeavouring to escape domestic violence may be housed in hostels and shelters or similar dwellings.²⁴

Public housing—housing of last resort

14.14 While previously the focus of social housing in Australia had been to provide affordable housing to low-income families, attention has increasingly shifted toward catering for the housing needs of the most disadvantaged in the community.²⁵ According to AIHW figures, in 2012–13, 77 per cent of allocations to public rental housing went to people in greatest need—particularly those who were homeless or at risk of homelessness.²⁶ The AIHW also recorded that households where at least one member had a disability made up more than 133,000 households in public rental housing or 41 per cent of total stock.²⁷

14.15 Professor Dodson cited the long-run withdrawal of federal and state governments from the provision of new social housing supply as one of the factors contributing to the 'concentrated disadvantage effect'. In his view, this retreat from funding public housing has meant that 'under fiscal processes the targeting of assistance available through social housing supply has gone to those who have multiple forms of disadvantage'.²⁸ Also looking at the availability of public housing, the Department of Social Services suggested that:

22 *Proof Committee Hansard*, 11 November 2014, p. 2.

23 *Proof Committee Hansard*, 11 November 2014, p. 2.

24 *Proof Committee Hansard*, 11 November 2014, p. 2.

25 See for example, Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 27, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

26 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

27 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 37, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

28 *Proof Committee Hansard*, 9 September 2014, p. 18.

The role of public housing in the provision of affordable accommodation in Australia may become more limited in future given the ongoing trend to transfer the management of public housing to community housing providers. In future, the sole focus of public housing may be on those people with special and high needs rather than low-income Australians.²⁹

14.16 This trend, however, is already well established. Mr Jonathan Leitch, Department of Housing and Public Works, Queensland, informed the committee that about 95 per cent of their clients in public housing were high-needs.³⁰ Drawing on its experience, the Kingsford Law Centre similarly noted that public housing was now available only to people with severe and multiple disabilities. This situation had made:

Public housing more than ever, the housing of last resort and remains unavailable to most people, even people who have chronic health problems, are experiencing extreme poverty and have no real prospect of being able to find safe and affordable housing in the private sector.³¹

14.17 Professor Beer referred to 'a rather macabre natural experiment' conducted in South Australia over the last 20 years, where the government's involvement in housing supply had receded through the sale of land originally associated with the South Australian Urban Land Trust. He explained further that South Australia had:

...also curtailed the role of what was then the South Australian Housing Trust and then Housing SA. So we have actually taken the floor away from the rental market. Households that were once able to find accommodation relatively easily in public housing no longer can gain access to public housing. If you look at the reports of Housing SA, they increasingly talk about their clients as being people who may not be, to use the euphemism, 'tenancy ready'. These are very challenging households, and to get into Housing SA increasingly it is people with multiple and complex needs, people with multiple disabilities et cetera.³²

14.18 Noting that many of the people seeking social housing were high needs, Professor Beer suggested Australia's affordability problems were significant, and there was very limited social housing stock.³³ Mr Michael Myers, National Affordable Housing Consortium, also referred to the trend whereby governments of all

29 *Submission 198*, p. 29.

30 *Proof Committee Hansard*, 10 September 2014, p. 44.

31 *Submission 68*, p. 3. See also Mr Keith Jacobs, who observed that the reduction in the public sector stock had led to state authorities restricting the allocation of available properties to those in acute need, *Submission 33*, p. 2. Ms Christine Allison similarly noted that access to social housing was dependent on eligibility and eligibility depended on remaining disadvantaged. In her view that was no incentive to improve and improvement for example, finding a job could mean ineligibility. *Submission 35*, p. 2.

32 *Proof Committee Hansard*, 28 July 2014, p. 16.

33 *Proof Committee Hansard*, 28 July 2014, p. 16.

persuasions at a state level had moved down the road of allocating public housing to those most in need. He elaborated:

It could well be argued that they did that because of things like de-institutionalisation, long-term pockets of disadvantage, social exclusion and unemployment and a rising demand from people with a disability and others. So they have moved the social housing system from what was partly an industry type support thing—you get cheap housing near where the jobs are and the workers will come and you can help them—to this new transition of the welfare safety net. Nobody really understood the economic consequences of that fully... You are moving for the right reasons, to say that you cannot leave people homeless, you cannot leave people with a disability without housing.³⁴

14.19 As a consequence, however, the costs of public housing increases and revenue decreases because people on lower and lower incomes were being accommodated. Mr Myers explained the problem created by having only high needs tenants in public housing:

They are using the dwellings more, so there is more cost involved. The dwellings need more management, so there is more management involved. You end up with a downward spiral in the system.³⁵

14.20 Likewise, Shelter WA suggested that the 'reorientation of social housing towards housing higher-need households had placed increasing financial pressure on the system'.³⁶

Incentives to remain in public housing

14.21 Recent figures produced by the AIHW show that, at 30 June 2013, the majority of the surveyed tenants in social housing were satisfied with the services that their housing organisation provided (74 per cent for community housing and 65 per cent for public rental housing).³⁷ Further, it recorded that two in five or 40 per cent of people in public rental houses had been in the same tenancy for over ten years.³⁸ This stable tenancy stands in stark contrast to the short-term leases that characterise the private rental market.

34 *Proof Committee Hansard*, 10 September 2014, p. 53.

35 *Proof Committee Hansard*, 10 September 2014, p. 53.

36 *Submission 174*, p. 18.

37 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

38 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.41, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Disparity in rents between private and public housing

14.22 As noted earlier, a key feature of public housing is that rents payable are based on income, which is generally 25 per cent of total household income. But with increases in market rent outstripping increases in household income, the rent paid by people in public housing continues to lag behind those paying market-based rents. As an example of the disparity between rents charged for social housing and for private rental dwellings, Mr Searle cited a single age pensioner in one of their units (Department of Housing Western Australia) paying \$95 per week in rent in a market where the median rent is probably \$350 per week.³⁹

14.23 An interim report of the review of the welfare system referred to tenants in public housing benefiting from this lower rate of rental increase.⁴⁰ It noted, however, that charging rents at a proportion of total income could be a 'disincentive for people to work, because their rents will increase if they earn more'.⁴¹ According to the welfare reform interim report:

The first perverse incentive is that people consider public housing more attractive than living in private rental accommodation. A key reason is that income based rents are lower than the net rents paid by private tenants in the private rental market. Because demand for public housing is high and waiting lists are long, public housing is only allocated to those who can demonstrate a low income and poor capacity to obtain private rental accommodation. This may result in prospective tenants on the waiting list being reluctant to improve their circumstances, for example gaining employment, because this may jeopardise their claim for a public housing tenancy.

A second potential perverse incentive applies to those already in public housing, who seek to improve their circumstances through paid work. Because public housing rents are set as a proportion of income (typically

39 *Proof Committee Hansard*, 11 November 2014, p. 6.

40 In December 2013, the then Minister for Social Services, the Hon. Kevin Andrews MP, commissioned a review of the welfare system. The purpose was to identify improvements to ensure the system was sustainable, effective and coherent, and encouraged people to work. The Minister appointed an independent Reference Group to lead the review. Mr Patrick McClure AO chaired the Reference Group. The other members are Mr Wesley Aird and Ms Sally Sinclair.

41 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, pp. 30 and 70, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). Note that a final report was released in February 2015, *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

25 per cent), any extra earnings result in higher rent charges. This can disrupt financial arrangements and erode the rewards that income support recipients might otherwise gain from working. This effect is not experienced by income support recipients in the private rental market.⁴²

14.24 The welfare reform interim report stated further that government assistance to people in the private rental market (via rent assistance) was 'less generous than assistance provided to people in public housing'. The review concluded:

People in the private rental market receive a lower subsidy through Rent Assistance and pay higher rents than people in public housing. They may also have less stable tenancies. This can create an incentive for people to try to change to public housing.

However, public housing is limited and waiting lists are generally very long. Public housing is usually only for those most in need. This can create an unintended incentive for some people not to look for work as it could jeopardise their eligibility for public housing.⁴³

14.25 The Department of Housing and Public Works, Queensland, also suggested that the slower growth rate of income-based rents in public housing created 'a less attractive proposition for people to transition from social housing to the private rental market'.⁴⁴ Similarly, Mr Myers, National Affordable Housing Consortium, indicated that at the moment there was almost a perverse disincentive for people to move out of public housing because 'the gap between what they get now and what they would need to pay in the market is so big'. In other words, that they would 'do anything to hang on to what they have got'.⁴⁵ Mr Myers argued that the gap had been allowed to get too big.⁴⁶

42 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 70, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). The final report indicated that consultations on the interim report reinforced the need 'to address poor work incentives for public housing tenants (caused by income-based rents) and the discrepancies in government support between public and private tenants'. *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, p. 20, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

43 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 30, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

44 Queensland Government, *Submission 215*, p. 2.

45 *Proof Committee Hansard*, 10 September 2014, p. 53.

46 *Proof Committee Hansard*, 10 September 2014, p. 53.

14.26 In the context of deliberations on future directions for state and territory public and community housing, the welfare system interim report recommended that:

...consideration could be given to moving away from the current system of income based rents towards the use of Rent Assistance as the preferred rent subsidy scheme across both private and public tenures.⁴⁷

14.27 The committee considers Commonwealth rent assistance in chapter 22.

14.28 Clearly, the strong demand for the few available public housing dwellings and the benefits they offer—secure tenure and lower rents—have consequences for their tenants and for those seeking to fill a potential vacancy.

Need to be needy

14.29 The value that low-income earners place on living in public housing means, as noted above, that in some cases tenants may be reluctant to compromise their eligibility for such housing. For example, having drawn attention to the disparity in rents paid by public housing tenants and those in private rental, Mr Searle, Department of Housing, Western Australia, highlighted the challenge for public housing providers—'why would anyone want to move out of such accommodation once housed in it?'⁴⁸ He elaborated:

So we are seeing a lot of behaviour amongst tenants to limit their incomes, consciously, because the cost of earning that extra \$10 or \$15 per week may well be greater than the income they get if they have to move out of our [public] houses.⁴⁹

14.30 Ms Nihal Iscel, Ethnic Disability Advocacy Centre, cited cases involving some of her clients affected by losing their eligibility for public housing. She knew of one person who could have taken on extra work but did not, despite the capacity to do so, because of the fear of being evicted.⁵⁰

14.31 Along the same lines, Ms Helen Dalley-Fisher, Equality Rights Alliance, referred to older women in public housing, who reported being afraid of getting a job

47 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). The final report made a similar recommendation—'Reduce disincentives to workforce participation by moving from income based rents in public housing and extending Commonwealth Rent Assistance to public housing tenants.' *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, p. 20, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

48 *Proof Committee Hansard*, 11 November 2014, p. 6.

49 *Proof Committee Hansard*, 11 November 2014, p. 6.

50 *Proof Committee Hansard*, 11 November 2014, p. 35.

with a higher salary or of working overtime in case they lost their entitlement to public housing and had to enter the insecure and unaffordable private market.⁵¹ In this context, Anglicare noted that 'considering that many public housing tenants are pressured to leave their dwelling once they have secured steady employment, it appears safer for many to remain jobless but housed'.⁵² Mr David Cant, Brisbane Housing Company Ltd, also spoke of the reduced incentives for public housing tenants to work.⁵³

14.32 In this regard, the National Affordable Housing Consortium informed the committee that the social housing system encouraged people to 'be more vulnerable, more in need' than the next person on the waiting list and for them 'to continue to demonstrate that need and vulnerability'. It suggested that while many 'face ongoing vulnerability, the system does not acknowledge, speak to, nor build on the "strengths, resilience and aspirations" of its customers'.⁵⁴

14.33 Mr Myers, CEO of the Consortium, reasoned that because access to public housing was, in effect, a competition for scarce resources, applicants must highlight their predicament at the expense of the next person in the queue. He explained further:

They must demonstrate that they are more disadvantaged and more needy than the next person. There is no focus on resilience, strength, plans for that person and where they want to be. There is a focus on them continuing to demonstrate incapacity.⁵⁵

14.34 According to Mr Myers, if the focus is on a system that encourages such dependency and where people must show they are more disadvantaged than the next person, then people will behave accordingly because of the rationing of 'a scarce and valuable commodity'. The current system was sending the clear message that a group of individuals must be 'a disadvantaged community in order to qualify for what we are going to give them'. In his words, 'we have got a philosophical as well as an economical imperative to readjust that system—and there are ways to do it'.⁵⁶

14.35 As part of the policy goal, Mr Myers was of the view that it was important to find a way to reconnect the social housing system with the market system to achieve movement across and between them.⁵⁷

14.36 Apart from discouraging households from improving their financial situation, public housing also has other shortcomings.

51 *Proof Committee Hansard*, 10 November 2014, p. 19.

52 AnglicareWA, *Submission 161*, p. 7.

53 *Proof Committee Hansard*, 10 September 2014, p. 61.

54 *Submission 101*, p. [6].

55 *Proof Committee Hansard*, 10 September 2014, p. 53.

56 *Proof Committee Hansard*, 10 September 2014, p. 53.

57 *Proof Committee Hansard*, 10 September 2014, p. 53.

Clusters of disadvantage

14.37 Other witnesses, including Mr Langford, Junction and Women's Housing, noted that the configuration and location of much of the existing public housing stock presented a problem in that it tended to create clusters of disadvantage, which also had an adverse effect on the value of those assets. As an example, he cited South Australia, where there were significant pockets of highly concentrated public housing. In his view, the challenge was 'to devise a longer term strategy to reconfigure both the physical asset—the bricks and mortar—and the social mix to break up some of those concentrations'. According to Mr Langford, some of these estates had been sold down over a period of time, but a considerable number still existed where high rates of social housing were interspersed with some private.⁵⁸

14.38 Mr Leitch noted that putting people, particularly those with high needs, out into areas that were more affordable missed the opportunity to connect them with health services, mental health services and things they needed to make a success of their tenancies. Indeed, he argued that, in many cases, it probably contributed to worsening rather than improving their circumstances.⁵⁹

Social housing—current state of repair

14.39 Not only is the supply of public housing stock shrinking, but much of the remaining stock is old and in need of repair or restoration and is increasingly expensive to maintain.⁶⁰ Stellar Living suggested that 'many of the social/affordable housing properties throughout Australia leased and rented to the public are in high need of repair'.⁶¹ Indeed, consistent with this assessment, the AIHW noted:

Some of the public rental housing stock is now at the end of its economic life and/or it does not meet current needs. Poor maintenance of dwelling stock often creates stigma and negative stereotyping of social housing tenants.⁶²

14.40 The AIHW cited Victoria as an example of where around 42 per cent of public housing stock was more than 30 years old. It noted further that some of this housing required 'significant modification for those with disability' and a large proportion of the stock needed to be renovated or refurbished before it could be re-let.

58 *Proof Committee Hansard*, 28 July 2012, p. 34.

59 *Proof Committee Hansard*, 10 September 2014, p. 44.

60 See for example, Mr David Cant, *Proof Committee Hansard*, 10 September 2014, pp. 60–61.

61 *Submission 3*, p. 1.

62 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.27, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

In its assessment, these maintenance and upgrade issues posed considerable challenges for the owners of public housing.⁶³

Sustainability of public housing

14.41 Mr Keith Jacobs, University of Tasmania, observed that the rents charged by state housing authorities were not sufficient to cover the costs of maintaining and renewing public housing stock.⁶⁴ Likewise, the Council to Homeless Persons remarked that governments faced significant operating deficits due to a combination of tightly targeting the allocations of social housing to extremely disadvantaged households and an ageing housing stock portfolio. It suggested that, as a consequence, state housing authorities were 'cannibalizing existing housing stock, resulting in low growth in the number of social housing properties available'.⁶⁵ Mr Cant also referred to the state housing authorities as landlords receiving limited income, which made 'the whole portfolio unsustainable'.⁶⁶

14.42 Importantly, the income from rent at 25 per cent of a household's income meant that the returns to the state were not high, particularly given the need to maintain run-down or ageing properties. According to Mr Pisarski, the brutal reality from the states' perspective was that public housing was 'unviable in its current model'. He explained:

We have been charging people on very, very low incomes 25 per cent of their incomes for a very long time and we have only been targeting that housing to those people on very low incomes. Where public housing was once a much broader system with a range of income groups—with workers and whatnot—in it and had internal cross-subsidy involved, it no longer has that cross-subsidy, so it is no longer a viable system in its own right. Until we start to address that, we will not fix it. This is one of the reasons I am saying we need to get our heads out of the welfare-only approach to affordable housing.⁶⁷

14.43 Mr Leitch, Queensland, agreed with the view that the trend for public housing to cater for the most vulnerable who were invariably on social security payments meant that the public housing economic model was unsustainable. He explained that the Department of Housing and Public Works had undertaken its own modelling indicating that the Queensland Government carried an annual subsidy of about \$7,500 to \$8,000 per public housing dwelling in the state. Furthermore, that figure was increasing each year as the gap between the subsidy that came into public housing

63 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.33, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

64 *Submission 33*, p. 2.

65 *Submission 179*, p. 4.

66 *Proof Committee Hansard*, 10 September 2014, p. 61.

67 *Proof Committee Hansard*, 10 September 2014, p. 37.

widened from the Commonwealth rent assistance possibilities and the private sector. He explained that public housing had become a 'more deeply rationed product' where most of the people coming into that housing sector had concerns other than affordability—emergency issues needing attention, which further eroded the rent revenues.⁶⁸

14.44 Drawing a similar conclusion, the Real Estate Institute of Australia described the public housing sector as currently financially unsustainable. In its assessment, the provision of social housing was characterised by demand exceeding supply and with a large proportion of stock in disrepair yet on valuable land. It stated further:

...the system does not offer the type of housing that many tenants need; the public sector is generally less efficient in managing rental property than the private sector; except in Western Australia, there is no assistance to social housing tenants with a good tenancy record and stable incomes to make the transition to the private rental market.⁶⁹

14.45 Mr Myers, National Affordable Housing Consortium, noted that Australia had a housing supply problem, an affordability problem and a public housing system that was in terminal decline. In his view, the system was not viable with Australia selling more stock than it builds, and with 115,000 people homeless.⁷⁰

14.46 While Master Builders Australia ACT understood the challenge in providing public housing, it argued that taxpayers were entitled to see their taxes spent effectively and efficiently. It was not convinced that taxpayers were receiving value for money from the investment in public housing, describing the sector's performance at best, as mixed. It listed shortcomings in public housing, already identified in this report—the financial burden of maintaining an ageing stock of public housing and poor rent returns—but provided the following additional details:

- the average cost of providing public housing dwellings increased by around 25 per cent in real (inflation-adjusted) terms over the past decade, with the cost of land component growing by around 30 per cent;
- turnaround times for vacant public housing had risen from an average of 25 days in 2008 to 29 days in 2012; and
- some 21 per cent of the public housing stock was being used inefficiently (either under-utilised or over-crowded) in 2012, well up (just over 60 per cent) on the rates experienced in 2008 and 2009.⁷¹

68 *Proof Committee Hansard*, 10 September 2014, p. 50.

69 Real Estate Institute of Australia, *Submission 88*, pp. 14–15.

70 *Proof Committee Hansard*, 10 September 2014, p. 51.

71 *Submission 48*, p. 18.

Protect stock of public houses

14.47 Despite the dwindling and deteriorating state of public housing and the tendency for it to be located in clusters, the stock of public dwellings remains a valuable state asset. For example, the National Affordable Housing Consortium referred to the considerable asset base of public housing now held by the states, of which the Commonwealth was the major investor.⁷²

14.48 Mr Cant, Brisbane Housing Company Limited, argued that a top priority should be to protect the current stock of public and community housing. He indicated that there were nearly 400,000 dwellings, which were old and getting older and were often the wrong size. In his assessment, two-thirds of this stock in Australia needed to be 'redeveloped comprehensively'. Mr Cant valued the stock at between \$80 and \$100 billion based on 'the vacant possession highest and best used'. He noted, however, that this was not its true value which was as a community asset that generated very low rents and had quite high costs.⁷³ He also referred to the fact that in many instances around the country the stock was producing a loss. In his words, the public housing sector was a portfolio that was overvalued, not generating enough money but was terribly important to the Australian community.⁷⁴

14.49 But, as already noted, governments have been withdrawing from public housing even at a time of increasing demand for such housing evident in the long waiting lists for public housing. Arguing that states were no longer in a position to do the sorts of programs required to maintain public housing, Mr Pisarski highlighted the need to find ways to make those systems viable again. He was of the view that the not-for-profit sector was probably the solution because it was able to do things now that state housing authorities could not do and to start to build the supply. He noted, however, the need for more investment in the affordable end.⁷⁵

14.50 Similarly, Dr Ian Winter, AHURI, could not foresee state governments having a significant role in public housing provision over the next 25 years. According to Dr Winter, a vibrant housing association sector, which had 'a much bigger rent mix—a variety of income streams', would take the place of the public sector. In addition, the community housing sector had Commonwealth rent assistance subsidies coming into it as well as GST discounts and discounts on local government rates. In his view:

That is a much more viable, affordable housing program sector than trying to hang on to the state government sector. We just do not have the right institutional and organisational mix for a sustainable housing system in the 21st century. We need to get fit-for-purpose organisations up and running, and this is the not-for-profit sector. They are very good at it, they are

72 *Submission 101*, p. 6 and Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 54.

73 *Proof Committee Hansard*, 10 September 2014, pp. 60–61.

74 *Proof Committee Hansard*, 10 September 2014, p. 61.

75 *Proof Committee Hansard*, 10 September 2014, p. 37.

growing quickly, they have got the capability, they are delivering the outcomes, their tenants are happy; why wouldn't you back the growth of that not-for-profit sector?⁷⁶

14.51 Along similar lines, Professor Shane Murray, Monash University, saw the need for community housing to take on a greater role in the supply of affordable housing. To his mind, governments needed to find effective strategies, 'probably joining up with the community housing sector, to ensure that the current disaggregated public housing stock was redeveloped in an effective manner and not sold off opportunistically based on land value'.⁷⁷ Likewise, Mr Adam Mills, City of Melbourne, agreed with the intention of supporting housing associations, because, in his view, they were going to be 'the crucial stakeholder' to help manage and own the affordable housing that is needed. He suggested that should be the top priority.⁷⁸

Conclusion

14.52 The public sector used to provide much needed housing for low-income earners or disadvantaged people. But, due to inadequate funding over a period of time, the public sector is no longer meeting the growing and urgent need for such housing.

14.53 Public housing is, however, the safety net for society's most disadvantaged who require direct assistance to access affordable and secure housing.⁷⁹ Indeed, the Kingsford Law Centre referred to public housing as becoming the 'housing of last resort'. In this regard, the committee is of the view that it is unacceptable that the chronic shortage of public housing has created a situation whereby people feel they cannot improve their circumstances for fear of becoming ineligible for such housing. While understandable, this attitude is counterproductive to building a resilient and productive workforce and a strong economy. Moreover, some people in desperate need of housing assistance cannot access public housing including those with chronic health conditions.

14.54 In summary, the supply of public housing is short and waiting lists are long—properties are old and in need of repair and/or renewal and the income derived from rents is insufficient to keep the sector viable. Also, there are inefficiencies associated with the under-utilisation of properties. Even so, the public housing sector remains a valuable asset not only in dollars terms but also socially.

Recommendation 22

14.55 The committee recognises that public housing has now become the housing of last resort for many Australians with supply unable to meet the

76 *Proof Committee Hansard*, 9 September 2014, p. 24.

77 *Proof Committee Hansard*, 9 September 2014, p. 14.

78 *Proof Committee Hansard*, 9 September 2014, p. 33.

79 See for example, Mr Cameron Murray, *Submission 17*, p. 8.

demand and waiting lists far too long. With this situation in mind, the committee recommends that the Australian Government, together with the states and territories, commit to retaining an adequate supply of public housing with the goal of increasing the overall proportion of public housing as a percentage of housing stock. Targets should be established for both the proportion of social housing *and* the reduction in existing waiting lists as part of the national housing plan, working through COAG and the re-established National Housing Supply Council. The initial goal would be for the Australian Government together with the states and territories to fund public housing in order to lift the percentage of public housing from its current low base and to reach agreement on a plan to achieve this objective.

14.56 The committee recommends further that an underlying principle shaping the development or redevelopment of public housing must be to prevent the concentration of people with complex problems in the same locality and in locations removed from important services—transport, education, health, welfare and employment.

14.57 In this context of a dwindling stock of public housing, much of which is in need of repair or refurbishment, governments have recognised the benefits of growing the community housing sector. In the following chapter, the committee explores the opportunities that the community housing sector offers to provide affordable housing for low-income earners unable or struggling to meet their housing needs in the private rental market.

Chapter 15

Community housing

15.1 Community housing, along with the public housing estate, is part of the social housing sector. The community housing sector in each state and territory has developed under its own unique conditions, over different timeframes and with its own particular policy and funding arrangements. Thus, the community housing sector in each state and territory varies in size and structure.¹

15.2 In this chapter, the committee considers the community housing sector, the particular attributes of the sector, the transfer of public housing to community housing providers, the contribution that community housing makes to affordable housing and the potential for it to increase the supply of affordable houses.

Role of community housing sector

15.3 The primary role of community housing is to deliver housing to people on low- to moderate-incomes with a housing need. Community housing may cover short, medium and long-term tenancies. Providers of community houses are not-for-profit organisations that manage the provision of housing assistance and include:

- housing cooperatives;
- housing associations; and
- other community service organisations.

15.4 Community housing providers seek to encourage local communities to be more active in managing and providing affordable housing. The Community Housing Federation of Australia described in greater detail its role as a provider of community houses:

We provide affordable and appropriate housing for low- and moderate-income people and for those people whose housing needs are not adequately met in other forms of housing, particularly, for example, people with disability. Our models, organisational structures, funding, financing arrangements and the degree to which we either manage and/or own our dwellings vary in scale.²

1 National Regulatory System for Community Housing Directorate, Charter, p. 10, http://www.nrsch.gov.au/data/assets/file/0011/288218/D_Charter.pdf (accessed 12 January 2015).

2 Ms Croce, *Proof Committee Hansard*, 10 November 2014, p. 9.

15.5 It gave the example of a project run by Common Equity in Melbourne which has a mix of both private and social housing, including some housing for people with a disability. It was built on an old boot factory.³

Growth of community housing sector

15.6 The community housing sector has grown rapidly over the past 15 years or so. This expansion was due to increased capital funding, the transfer of public housing dwellings from the state and territory housing authorities and by provider leverage. More specifically, from 2000 to 2010 mainstream community housing had more than doubled but has done so from a relatively low base of 6.7 per cent to 13.7 per cent of social housing stock.⁴ In 2013, the proportion of social housing dwellings managed by community housing providers had increased further and stood at 16 per cent of total social housing or 65,000 dwellings.⁵ This figure does not include NRAS properties or other properties owned by community housing providers. According to the Community Housing Federation of Australia, the number of dwellings for this broader sector was estimated in 2008 to be closer to 77,000 which would likely be significantly higher now.⁶

15.7 According to the Australian Institute of Health and Welfare (AIHW), the increasing numbers of community houses reflected 'a gradual but steady shift of focus from the public to the community-managed sector'. It stated:

A decrease in the number of public rental dwellings was offset by an increase in mainstream community housing. The increasing contribution of the community sector reflects housing policy at both the Australian Government and state and territory government levels.⁷

15.8 The community housing sector, however, emphasised in hearings that while a significant amount of housing has been transferred, the process has not been 'steady', and has come in 'fits and starts', and varies widely across jurisdictions.⁸

3 *Proof Committee Hansard*, 10 November 2014, p. 9.

4 See National Regulatory System for Community Housing Providers, a Joint Initiative of Commonwealth, State and Territory Governments, Decision Regulation Impact Statement, p. 5, <http://ris.dpmc.gov.au/files/2013/05/NRS-Community-Housing-DRIS.pdf> (accessed 19 January 2015).

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, pp 27–28, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 Community Housing Federation of Australia, *Submission 171*, p. 7.

7 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 28, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

8 See paragraphs 15.65–15.66.

15.9 The NSW Federation of Housing Associations noted that community housing providers draw income from a range of sources—grant funding, transfer of public housing property management and/or ownership, concessions on taxes and levies, eligibility of tenants for rent assistance, and other forms of subsidy.⁹ In this regard, the Productivity Commission noted that community housing organisations generally received some form of government assistance, including direct funding or the provision of land and property. A number of community housing organisations, however, are entirely self-funded. According to the 2015 Productivity Commission report on government services, community housing organisations were increasingly seeking funding through alternative, non-government means, such as leveraging and partnership arrangements.¹⁰

15.10 Based on unpublished information from Australian, state and territory governments, the Productivity Commission listed some of the community housing models:

- housing cooperatives, providing tenancy management and maintenance of housing that is owned by government, a central finance company or an individual cooperative;
- local government housing associations, providing low cost housing within a particular municipality, closely involved in policy, planning, funding and/or monitoring roles and able to manage directly the housing stock;
- regional or local housing associations, providing property and tenancy management services, and support services to tenants;
- specialist providers—organisations with a specific purpose or function, such as tenancy management, housing development, or for specific target groups;
- broad service delivery—organisations providing housing and other welfare services, such as aged care and disability services;
- vertically integrated providers of affordable housing—involved in all stages of providing affordable housing, from construction to property and tenancy management;
- community ownership and/or management, where housing is owned and/or managed by not-for-profit or community housing associations;
- joint ventures and housing partnerships, where church and welfare entities, local government, private sector and other organisations provide resources in cooperation with state and territory governments; or where groups of

9 *Submission 80*, p. 2.

10 Productivity Commission, *Report on Government Services 2015*, Volume G: Housing and homelessness p. 17.8, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 27 February 2015).

community housing providers form partnerships to maximise growth opportunities, share resources and/or manage risk; and

- equity share rental housing, where housing cooperatives wholly own the housing stock and lease it to tenants (who are shareholders in the cooperative).¹¹

15.11 In its submission, AHURI referred to data collected by the Productivity Commission (2014), which appeared to show that in 2013 only 0.5 per cent of public housing residents paid more than 30 per cent of their gross income in rent (as discussed earlier, a typical benchmark of housing affordability). However, about 10 per cent of people in community housing (and up to 60 per cent in jurisdictions such as Western Australia) were paying more than 30 per cent of their gross income in rent.¹²

Transfer of public housing to community housing sector

15.12 The committee has referred to the considerable asset base of public housing in the states and territories. In May 2009, Australian Housing Ministers agreed that jurisdictions and the Commonwealth should develop a large scale community housing sector comprising up to 35 per cent of social housing by 2014.¹³ This objective would be achieved by transferring management (and some ownership) of public housing dwellings to not-for-profit (NFP) housing associations.¹⁴ Indeed, over time, there has been a gradual transfer of affordable housing properties from the public to the community-managed sector.

15.13 As noted earlier, while there has been a fall in the number of public rental dwellings, an increase in community housing has, to a degree, offset this decrease.¹⁵ Professor Beer used South Australia as an example, where:

We have seen some replacement of public housing with social housing, with growth of social housing providers; but they too raise some significant challenges, which we need to acknowledge. The growth is unlikely to

11 Productivity Commission, *Report on Government Services 2015*, Volume G: Housing and homelessness p. 17.10, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf> (accessed 27 February 2015).

12 *Submission 93*, p. 12.

13 *Implementing the National Housing Reforms*, A Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers, November 2009, p. 26, <https://www.coag.gov.au/node/91> (accessed 5 March 2015) and AHURI, *Submission 93*, p. 30.

14 AHURI, *Submission 93*, p. 30.

15 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 28, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

completely replace the public housing that has been lost since the period of, say, 1993.¹⁶

15.14 Many witnesses advocated accelerating the transfer of public housing to the community housing sector. For example, Mr Pisarski, National Shelter, recognised that Australia had not been building sufficient public housing for a very long time and argued that increasingly this stock should be transferred across to the not-for-profit sector.¹⁷ Mr Langford, Junction and Women's Housing, argued that the existing supply of social housing had 'to be reconfigured, through social and economic renewal'. In his view, this change needed to involve a shift away from 'a dominant monopoly model of public housing authorities being the primary holder and manager of that stock'. He acknowledged the trend towards transfers to the community housing sector, which he saw as a key mechanism that would enable the reinvestment in partnership with the private sector. He noted further:

There are numerous examples emerging now, around the country, where transfers of public housing stock to community housing providers are fostering opportunities for private sector investment in a way that can never happen whilst that stock is owned, controlled and managed by state housing authorities.¹⁸

15.15 AHURI spelt out the various advantages of transferring public housing to community housing providers for governments. They included a reduced need for governments to borrow money in order to buy or maintain dwellings, and a greater borrowing capacity for not-for-profit housing associations from improved rent flows and more property titles.¹⁹

15.16 Importantly, community providers would be able to increase stock through redevelopment of old properties, thereby contributing to the supply side of the affordable housing equation. In this context, the National Affordable Housing Consortium was of the view that not only could new stock of public housing replace the old but more community houses could be added 'at no cost to the state'.²⁰ As an example, while referring to the 'fantastic' pool of public housing assets, Mr Cant noted that some public housing properties had too few dwellings on them and houses that were too old. He spoke of the scope for expanding the stock of community houses:

In a lot of public housing purchased at a realistic valuation there is latent equity that can be realised by someone with development capacity, because you are then creating more housing assets and selling some and there is a bit of cross-subsidisation.²¹

16 *Proof Committee Hansard*, 28 July 2014, p. 10.

17 *Proof Committee Hansard*, 10 September 2014, p. 37.

18 *Proof Committee Hansard*, 28 July 2014, p. 31.

19 AHURI, *Submission 93*, p. 30.

20 Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 54.

21 *Proof Committee Hansard*, 10 September 2014, p. 64.

15.17 Making a similar observation, Dr Lucy Burgmann, NSW Federation of Housing Associations, explained that in New South Wales, if not elsewhere, there were many public housing properties dating back to the 1970s that were on blocks that had potential to sustain more properties. She noted that while there was nothing stopping the state departments of housing from redeveloping the land, they often lacked the capacity to do so. According to Dr Burgmann, on a project by project basis, one option would be:

...as part of transferring properties from public to community housing, that there was an expectation or a commitment received that the properties would be redeveloped and a capacity in some places to turn four or five houses into a medium-density dwelling that may be more like 20 properties, and not all of them would necessarily have to be retained for social housing.²²

15.18 Dr Burgmann noted that some of the dwellings might be affordable housing while others might be sold, which presented an opportunity to generate more community houses.²³ She explained that members of the NSW Federation of Housing Associations managed tenancies especially for, but not limited to, very-low-income to low-income people, vulnerable people or people who require a higher proportion of support.²⁴ According to Dr Burgmann:

Increasingly, we are also managing tenancies for key workers and for people on moderate incomes. I think the new threshold will be about finding affordable housing for young people so that they are not accidentally locked out of the employment market because of where they have to live in order to be able to afford that. Community housing providers are already doing work there and there is more that can be done.²⁵

15.19 The Women's Housing Company maintained that community housing was a 'proven model and growth industry' that had already made an 'enormous contribution to addressing the housing affordability crisis for the disadvantaged, including vulnerable women'.²⁶

Attributes of the community housing sector

15.20 The community housing sector has the potential not only to add to the stock of safe, secure and affordable housing but also provide a range of support services to enable people to access suitable housing and to remain housed.

22 *Proof Committee Hansard*, 10 November 2014, p. 17.

23 *Proof Committee Hansard*, 10 November 2014, p. 17.

24 *Proof Committee Hansard*, 10 November 2014, p. 12. The NSW Federation of Housing Associations is the industry peak body for community housing providers in NSW.

25 *Proof Committee Hansard*, 10 November 2014, p. 12.

26 *Submission 52*, p. 4.

Support services

15.21 Evidence before the committee reinforced the widely held contention that providing support services to people in social housing was a valuable way to create a favourable environment in which tenants could become productive members of the community and help prevent them getting into crisis.²⁷ In this regard, Mr Damien Walker, Department of Housing and Public Works, Queensland, referred to the particular benefits that community housing providers offer. He mentioned that Queensland and the other jurisdictions saw great value in having community housing providers closely involved in property and tenancy management because of their agility, local knowledge and ability to deliver 'a greater level of wraparound service and support'.²⁸

15.22 According to Dr Burgmann, community housing providers bring flexibility to the delivery of social and affordable housing:

Community housing providers are well able to match the subsidy, the property and the wrap-around services that tenants need to meet their needs now, and possibly their changing needs into the future.²⁹

15.23 Ms Marie Skinner, National Seniors Australia, also recognised the way in which community housing providers integrate support services with secure housing to help people remain where they are and to maintain their health and wellbeing more effectively. In her words:

It brings not just the housing but all the support services that the person might need; and, when you pull them all together, you get a comprehensive response to that person's situation and to their needs.³⁰

15.24 In its submission, the Community Housing Council of South Australia stated that community housing providers understood the communities in which they operated, had strong social missions and well developed business skills.³¹ Likewise, the Community Housing Federation of Australia stated that solid community engagement and the ability to provide very secure tenure for people were among the notable advantages of community housing.³² It also contended that the provision of community housing was as much a productivity measure as a social benefit.³³

27 See, for example, Mr Astbury, *Proof Committee Hansard*, 11 November 2014, p. 36.

28 *Proof Committee Hansard*, 10 September 2014, pp. 45–46.

29 *Proof Committee Hansard*, 10 November 2014, p. 12.

30 *Proof Committee Hansard*, 10 September 2014, p. 15.

31 *Submission 99*, p. 1.

32 Ms Croce, *Proof Committee Hansard*, 10 November 2014, p. 9.

33 *Submission 171*, p. 9.

15.25 It should be noted that, although community housing providers expressed confidence in their ability to deliver tenancy services, a recent AHURI study observed that 'direct quantitative evidence on this point' was not to be found. Even so, the study stated that 'while falling short of unanimity, tenant research participant views generally supported the managerial assertion that community housing offers a more personalised, responsive style of provision'. The study concluded that a more intensive follow up study would be required. This examination would be able to determine whether the initial findings reflected 'service standards more ambitious than those of SHAs [state housing authorities], better compliance with similar service standards, or a generally more consumerist organisational culture'.³⁴

Diversification

15.26 The Community Housing Federation of Australia suggested that the diversity of community housing models was one of the sector's principal strengths, as it allowed the sector to respond to local requirements and the needs of specific groups of tenants.³⁵ The NSW Federation of Housing Associations also noted the growth and diversification of the community housing industry, with the number of properties under community housing management in NSW doubling between 2006 and 2013.³⁶

15.27 Mr Walker informed the committee that in line with *Housing 2020*, the Queensland Government was taking an approach that sought 'to breakdown concentrations where we have existing stock and reinvesting in stock in other locations.' This policy was directed at achieving 'a pepper-potted' distribution of social housing. He explained that when the department makes decisions around where to invest, matters at the front of its mind are on proximity to existing services—hospital and/or employment networks, and whether they are serviced by good public transport. Basically, the department considered all of the things that go to providing suitable and appropriate housing with the necessary support infrastructure. He made clear that the department attempted 'to avoid providing social housing simply at the periphery of the urban boundary'.³⁷

15.28 Evidence pointed to other advantages attached to mixed housing developments, including sound financial benefits for community providers by including moderate-income earners in their blend of affordable housing. Ms Croce, Community Housing Federation of Australia, noted that community housing providers need to stay financially sustainable. She pointed to public housing authorities

34 Hal Pawson, Vivienne Milligan, Ian Wiesel and Kath Hulse, *Public housing transfers: past, present and prospective*, AHURI Final Report No. 215, Australian Housing and Urban Research Institute, University of New South Wales and Swinburne University of Technology, October 2013, p. 5, <http://www.ahuri.edu.au/publications/projects/p71008> (accessed 5 March 2015).

35 *Submission 171*, p. 6.

36 *Submission 80*, p. 2.

37 *Proof Committee Hansard*, 10 September 2014, p. 47.

currently not being able to meet the costs of running a system. In her view, to avoid this situation and to make their business financially viable, the Community Housing Federation provided houses for people in the very lowest incomes as well as people able to pay more as they start to earn. She stated:

It would mean being able to have different types of rent setting policies that allowed the people who are able to pay more to quite simply help to cross-subsidise for those people who cannot.³⁸

15.29 Likewise, the Hobsons Bay City Council recognised the recent partnering between government and the community sector to provide social housing. In its view, this joint effort had 'broadened the delivery model and resident profile to include a mix of tenants' such as those on Centrelink allowances, pensioners, and people on moderate incomes. It regarded this development as 'a positive shift from one that has prioritised high needs and disadvantage as criteria for obtaining state owned housing'.³⁹

15.30 This range of incomes and the graduated rise in rent would, up to a point, also encourage people to seek employment and/or take on extra work without fear of being forced into the more expensive and less secure private rental market. There are, however, limits to this incentive.

High levels of satisfaction and reluctance to leave social housing

15.31 According to the Community Housing Federation of Australia, community housing tenants express high levels of satisfaction with their housing.⁴⁰ While there are very important social and welfare benefits that derive from providing longer term and secure tenure in community housing, such a situation could provide a disincentive for people to take up other options.

15.32 In this context, the committee has referred to the public housing sector, which can discourage tenants from endeavouring to improve their personal circumstances for fear of losing eligibility for public housing and the benefits that derive from such housing. The same situation can apply to community housing tenants. Mr Langford, Junction and Women's Housing, explained that there was a view that social housing, in both the public and the community housing sector, had become 'a destination rather than a point along the continuum for many people'.⁴¹ From Mr Langford's perspective, people who are in long-term, secure tenure, be it in community housing or public housing, were very reluctant to leave because of the risk of losing their security.⁴²

38 *Proof Committee Hansard*, 10 November 2014, p. 17.

39 *Submission 39*, p. 8.

40 *Submission 171*, p. 6.

41 *Proof Committee Hansard*, 28 July 2014, p. 42.

42 *Proof Committee Hansard*, 28 July 2014, p. 37.

15.33 The challenge facing community housing providers is to afford their tenants the opportunities and incentive to move from community housing to the private rental market or even home ownership. For example, Junction and Women's Housing not only endeavours to provide secure tenure but is also cognisant of the importance of helping people move out of social housing. Mr Langford noted that the vast majority of its properties were longer term tenures. He explained that while its philosophical approach was very much about supporting successful and long-term tenure, Junction and Women's Housing was increasingly trying to develop a range of programs to help people who had stabilised to look at other housing options. According to Mr Langford:

We start with the premise that we will offer, for our long-term housing programs, housing for as long as people need it. As I say, that is where we are focusing some of our attention at the moment, on trying to find and develop programs that will assist people to move out of our housing into the market, because we are in a position where we are rationing access at the point of allocation, because we simply do not have enough supply to meet the demand.⁴³

15.34 This mobility would allow those on the waiting list to take up much wanted allocations. Junction and Women's Housing was looking to its programs to 'unclog the biggest bottlenecks'.⁴⁴

15.35 Dr Petersen, University of Queensland, noted that reforms across states were directed at social housing becoming transitional rather than permanent. She noted, for instance, that in Queensland the *Housing 2020* strategy aimed to ensure 'people have access to the help and support they need to give them the skills and resilience to find and sustain tenancies in the private rental market instead of becoming reliant on social housing'.⁴⁵

Title transfer

15.36 While community housing providers may receive government assistance, they were also looking to the private sector as partners to build up the stock of community houses. Some witnesses argued that to encourage private investment, the title over public housing properties as well as the rent roll needed to be transferred to community housing providers.

15.37 In some instances, however, the handover of public housing to the community housing sector involved the transfer of the rent roll only and not ownership. Ms Croce

43 *Proof Committee Hansard*, 28 July 2014, p. 42.

44 *Proof Committee Hansard*, 28 July 2014, p. 37.

45 Queensland Government, Media Release, 10 July 2013, <http://statements.qld.gov.au/Statement/2013/7/25/housing-2020-strategy-to-renew-social-housing>, quoted in *Submission 163*, p. 2.

contended that the programs were 'mostly transferring the property just for management, without the title', which would limit the ability to increase the stock.⁴⁶

15.38 In this regard, the Queensland Council of Social Service stated that the impetus behind the transfer of public housing stock to the community housing sector had been the expectation that transfer of stock would give community housing providers a means of leveraging private finance for developing new stock.⁴⁷ It suggested, however, that this leverage would only occur if stock were transferred with title. The Council indicated that, unfortunately, state and territory treasuries were reluctant to transfer the titles because of the effect on balance sheets.⁴⁸

15.39 Along similar lines, a project that examined the effect of the South Australian Government's program of public housing stock transfers to the community sector observed that:

Some commentators have argued that the community housing stock is held back by the reluctance of State Governments to transfer title deeds of stock, as well as a lack of specialist skills amongst operators.⁴⁹

15.40 The Community Housing Council of South Australia was one organisation calling for a transfer model with some degree of title transfer in order to maximise the growth potential of the housing portfolio.⁵⁰

Importance of title transfer

15.41 As noted earlier, community housing providers need to be financially viable if they are to provide affordable housing and support services to low-income earners and add to the stock of community housing. With this financial imperative in mind, many witnesses spoke of the financial benefits that would attend the transfer of title. Dr Ian Winter, AHURI, noted:

One of the key drivers here is the expectation that the housing associations will actually leverage, will borrow against the value of those assets to invest in new supply. If they do not have control of the assets they will not be able to borrow.⁵¹

46 *Proof Committee Hansard*, 10 November 2014, p. 10.

47 *Submission 175*, p. 21.

48 *Submission 175*, p. 21.

49 Andrew Beer et al, *Public Housing stock transfer—impacts and implications for local government*, CHURP, p. 19, <http://www.lga.sa.gov.au/webdata/resources/files/2013.37%20-%20Public%20housing%20stock%20transfer%20Final%20Report%2024%20June.pdf> (accessed 5 January 2015).

50 *Submission 99*, p. 2.

51 *Proof Committee Hansard*, 9 September 2014, p. 24.

15.42 Ms Croce, Community Housing Federation of Australia, informed the committee of the need for the government to commit to a transfer program nationwide. She also spoke of the ability of community housing providers who held the title to take advantage of this ownership to leverage:

Stock transfer is a major source of growth as it allows community-housing programs to leverage properties for private financing and to build more housing stock.⁵²

15.43 Research undertaken in South Australia, which looked at the first tranche of public housing transfers, supported Ms Croce's contention. According to Ms Croce, the study, which included about 600 properties, found:

...if you keep the status quo you will get no growth. If you transfer it [public housing stock] over but you are only doing it with management and just working off the income stream, you will get maybe two to three new houses per year. But if you give them the asset and the title and they can leverage off that, you are looking at 75 new houses per year. That is just a small example.⁵³

15.44 According to Ms Croce, this example provided some idea of what can be achieved with the stock transfer—that is 'still 700 properties off 600'.⁵⁴

15.45 Mr Schrapel, Uniting Communities, stated bluntly that without transferring the ownership—the title—you cannot leverage the asset, so therefore it has a limited value in that regard.⁵⁵

15.46 The Queensland Government was one of the states actively engaged in the transfer of public housing to the community housing sector. It has made no firm commitment, however, to transfer the title to its public houses to the housing associations. Mr Walker noted that *Housing 2020* had a number of recommendations of which stock transfer was certainly a key. He then went on to explain that, at a high level, the policy itself was reasonably straightforward in what it recognised, and was consistent with the COAG agreement reached a few years ago. As noted earlier, the states agreed that, primarily, 35 per cent of public stock would be transferred by December 2014. Queensland was a party to that agreement, as were all other jurisdictions.⁵⁶ Mr Walker referred to the Queensland Government's goal of 90 per cent quantum by 2020, identified as part of its *Housing 2020* plan.⁵⁷ He explained further, the approach to title transfer:

52 *Proof Committee Hansard*, 10 November 2014, p. 10.

53 *Proof Committee Hansard*, 10 November 2014, p. 16.

54 *Proof Committee Hansard*, 10 November 2014, p. 16.

55 *Proof Committee Hansard*, 28 July 2014, p. 34.

56 *Proof Committee Hansard*, 10 September 2014, pp. 45–46.

57 *Proof Committee Hansard*, 10 September 2014, pp. 45–46.

The government's policy at this point in time, as per *Housing 2020*, is to pursue property and tenancy management transfers, and each of those transactions...it is a procurement exercise—will be bespoke. That will be something that the government makes a decision on at that particular point in time. I am not aware of any policy that precludes a transfer of the title itself, but certainly my understanding is that it is generally on a case-by-case basis, transaction by transaction.⁵⁸

15.47 Mr Walker reiterated the Queensland Government's intention for transfer transactions to be tailored: that no one transaction would necessarily be the same. He explained that each one would need 'to be responsive to the environment in which we currently have our housing'. According to Mr Walker, there certainly would be opportunities where a transfer of title was considered and times when the government deemed the transfer appropriate. He maintained:

There will be other occasions where it is simply a transfer in the rent roll, or a mix of the two...the policy on the transfer of title is not explicit.⁵⁹

15.48 In addition, his colleague, Mr Leitch, noted:

...given the scale of what we are proposing, the government has taken a risk management approach because, even when we talk about the Logan transfer, the proponent that takes that on board will become the biggest provider in Australia. The government, I think, would see that there is a fair amount of risk involved in transferring title straight up so early. It is a matter, I think, of building capacity in the sector to be able to take that up as well.⁶⁰

15.49 In South Australia, the transfer of public housing also involves some transfer of title. Ms Palumbo, Community Housing Council of South Australia, explained that the sector understood that 35 per cent of public housing needed to be transferred to community housing providers. For South Australia, this amounted to 12,000 properties. According to Ms Palumbo, these transfers included a portion of

58 *Proof Committee Hansard*, 10 September 2014, p. 48.

59 *Proof Committee Hansard*, 10 September 2014, p. 46.

60 *Proof Committee Hansard*, 10 September 2014, p. 48. The Productivity Commission noted that: 'The Logan Renewal Initiative was the first major step in the reform to achieve the large scale transfer of the management of public housing and redevelopment of housing stock in the Logan area. The intention was to enhance service delivery outcomes through local decision making, increase supply of social and affordable housing, reduce social housing concentration and better align the portfolio with housing need'. Productivity Commission, *Report on Government Services 2015*, Volume G: Housing and homelessness p. 17.55, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf> (accessed 27 February 2015).

ownership or titles—not all, but some.⁶¹ She referred to the Sphere report, which demonstrated that some level of title was essential for growth. Ms Palumbo elaborated:

We know that most states prefer the management model. We are saying that the report demonstrates that title can be as low as nine per cent, to a maximum of around 20 per cent, to get the optimum amount of growth you can achieve with the income sources you have. Then that growth can be further increased if you have subsidies like opportunities to partner, shared equity, mixed models, discounted or gifted land and of course NRAS-type subsidies.⁶²

15.50 In her view, South Australia needed to accelerate its current commitment of title transfers, which currently stood at 5,000. She suggested that the 5,000 would bring \$14 million per annum into the housing system, which, on its own, would increase the stock by another 220 houses.⁶³ Ms Palumbo highlighted the reasons for transferring public housing to the community housing sector:

...we want to see a more balanced system, we want to see a more sustainable system, we want to simply bring more revenue to the social housing system, and this does that. We see that the community housing business model as a more efficient model and therefore there are more resources that will come in just by doing that to meet the goals we need to meet, which are simply more supply and renewed communities.⁶⁴

15.51 Also referring to the South Australian transfer of public housing to the community housing sector, Dr Clark noted that the transfer was still in its infancy, where the management of only about 1,000 houses had been transferred to the community housing sector. She explained that there were plans for more, but not for the title to be transferred. In her view, however, it was the transfer of title that would enable community housing providers to grow and regenerate their stock. She stated further that the eastern states, particularly the larger ones, had shown more interest in the stock transfer idea allowing for thousands of properties to be transferred. According to Dr Clark, state governments would be interested in doing so because it attracts more Commonwealth rent assistance—more federal money—into the states and territories.⁶⁵

61 *Committee Hansard*, 28 July 2014, p. 38. The report cited in this quote is The Sphere Company, *Maximising growth potential of housing providers through title transfer*, 2013, [http://www.chcsa.org.au/sites/default/files/Maximising%20growth%20through%20title%20transfer%20\(Final\)%20November%202013.pdf](http://www.chcsa.org.au/sites/default/files/Maximising%20growth%20through%20title%20transfer%20(Final)%20November%202013.pdf) (accessed 20 March 2015).

62 *Committee Hansard*, 28 July 2014, p. 38. The report cited in this quote is The Sphere Company, *Maximising growth potential of housing providers through title transfer*, 2013, [http://www.chcsa.org.au/sites/default/files/Maximising%20growth%20through%20title%20transfer%20\(Final\)%20November%202013.pdf](http://www.chcsa.org.au/sites/default/files/Maximising%20growth%20through%20title%20transfer%20(Final)%20November%202013.pdf) (accessed 20 March 2015).

63 *Proof Committee Hansard*, 28 July 2014, p. 38.

64 *Proof Committee Hansard*, 28 July 2014, p. 38.

65 *Proof Committee Hansard*, 28 July 2014, p. 33.

15.52 In WA, the stock transfer had resulted in the community housing sector more than doubling over the last three and a half years with about 1,700 dwellings transferred, including the title. Mr Searle, Department of Housing WA, indicated that WA was head-leasing as well. He noted that it seemed the sector had two major issues for their credit worthiness to banks—one was asset backing, which the title transfer delivered; the other was income stream. He explained that head-leasing actually provided access to an income stream. Further, he noted the two components needed to get financing from the banks and that the Western Australian Government was trying to accommodate both of those.⁶⁶

Committee view

15.53 Clearly there is much merit in transferring public housing stock to the community housing sector. The committee believes, however, that the states are right to be cautious in how they go about the transfer of title. The committee is of the view that a thorough and comprehensive examination of the implications of transferring title needs to be undertaken before any large scale transfer of title takes place. Such a study, however, should in no way slow down the process of transferring the public housing stock to the community housing sector already in train. Indeed, the transfer of stock that has taken place and is currently underway would provide the basis for examination and review to determine the advantages and disadvantages of title transfer and more broadly identify ways to gain the maximum benefit from the transfer of public housing to the community housing sector.

Recommendation 23

15.54 The committee recommends that the Australian Government request the Productivity Commission undertake an inquiry into the merits of transferring public housing to the community housing sector with particular emphasis on the advantages and disadvantages of transferring property title.

Need for public housing

15.55 In its submission, the Queensland Council of Social Service stated that, while the move to transfer stock was seen as a panacea for the decline in social housing stock, faith in this approach should be tempered. It suggested further that stock transfer should coincide with ongoing and adequate investment in the construction of new public housing dwellings by state and federal governments.⁶⁷

15.56 The committee agrees with this view. The transfer of current public housing stock should not be interpreted as sanctioning the withdrawal of governments from funding public housing which should remain at the core of social housing to ensure that the most disadvantaged are adequately housed. Community housing would then be able to provide housing for low income earners and for some a stepping stone into

66 *Proof Committee Hansard*, 11 November 2014, p. 11.

67 *Submission 175*, p. 21.

the private rental market and even home ownership. In other words, community housing should not be regarded as a substitute for public housing but complementary by offering greater diversity in affordable housing, incentives for tenants to improve their circumstances without losing all the benefits of community housing and a more sustainable form of social housing.

Recommendation 24

15.57 Consistent with the recommendation for the Australian Government to increase the overall proportion of public housing as a percentage of housing stock, the committee recommends that the Australian Government together with the states and territories commit to achieving a higher proportion of overall social housing as a percentage of Australia's housing stock. This recommendation recognises that currently social housing in Australia forms only a small proportion of Australia's housing stock and is falling far short of meeting demand.

15.58 Aside from the transfer of title, a number of submitters raised other concerns about the transfer arrangements from public to community housing including protecting the rights of public housing tenants, the structure of the community housing sector and policy uncertainty.

Community housing—level of protection

15.59 The project that examined the effect of the South Australian Government's program of transferring public housing stock to the community sector on local governments referred to a 'deep-seated concern' amongst some community members that transfers represented 'the privatisation of the public housing stock'.⁶⁸ An AHURI study also noted that if mandated transfer were to become the norm:

...there is a need for good practice guidance on tenant consultation and involvement in shaping the process, and in subsequent social housing governance.⁶⁹

15.60 In its submission, the Queensland Council of Social Service made the point that tenants transferred to the community housing sector should have the same level of

68 Andrew Beer et al, *Public Housing stock transfer—impacts and implications for local government*, CHURP, p. 19, <http://www.lga.sa.gov.au/webdata/resources/files/2013.37%20-%20Public%20housing%20stock%20transfer%20Final%20Report%2024%20June.pdf> (accessed 5 January 2015).

69 Hal Pawson, Vivienne Milligan, Ilan Wiesel and Kath Hulse, *Public housing transfers: past, present and prospective*, AHURI Final Report No. 215, Australian Housing and Urban Research Institute, University of New South Wales and Swinburne University of Technology, October 2013, p. 6, <http://www.ahuri.edu.au/publications/projects/p71008> (accessed 5 March 2015).

protection from eviction as afforded under the public housing system, including a right of appeal.⁷⁰

15.61 National Shelter also highlighted the importance of managing carefully, in partnership with tenants and their representatives, the effects of transferring public housing stock to the community housing sector. It made a significant number of recommendations in this regard. One such recommendation involved the regulatory framework for such transfers including provisions for public accountability and independent review and appeal processes for all social housing tenants.⁷¹

Organisation and structure of the not-for-profit housing provider sector

15.62 A number of submitters drew attention to particular aspects of community housing that may be limiting the sector's opportunities to contribute more to the supply of affordable housing.

15.63 The committee has noted that small-scale providers make up the large proportion of community housing providers.⁷² For example, the Tamworth Regional Council suggested that most of the not-for-profit housing organisations were small and lacked 'expertise, structure and the processes to handle large volumes of affordable housing'.⁷³ Making a similar point, Stellar Living was of the view that the not-for-profit sector was in desperate need of consolidation. It stated:

The cost of capital, administration duplication and missed funding opportunities is high as far too many organisations manage far too few tenancies and properties.⁷⁴

15.64 The project that examined the effect of the South Australian Government's program of public housing stock transfers to the community sector also commented on the prevalence of small-scale providers. It observed:

Some larger providers have been the beneficiaries of title transfers and been able to finance the development of additional affordable dwellings and upgrade other facilities, but the sector remains dominated by smaller

70 *Submission 175*, p. 21.

71 *Submission 78*, p. 24.

72 Andrew Beer et al, *Public Housing stock transfer—impacts and implications for local government*, CHURP, p. 19, <http://www.lga.sa.gov.au/webdata/resources/files/2013.37%20-%20Public%20housing%20stock%20transfer%20Final%20Report%2024%20June.pdf> (accessed 5 January 2015).

73 Tamworth Regional Council, *Submission 12*, p. 3.

74 *Submission 3*, p. 1.

providers—which is argued to be the single largest constraint on growth in the sector.⁷⁵

Continuity and certainty

15.65 While the overall policy framework within which community housing providers work and forge partnerships is important for their growth and further development, some commentators were critical of the decision-making that forms the basis of this framework. For example, the Community Housing Federation of Australia complained of a 'stop and go' approach to housing policy, and the uncertainty this created for community housing providers.⁷⁶ It argued that it was really difficult to maintain a growth trajectory in an environment where community housing providers have limited capital funding from government and a 'stop-and-go or wait-and-see nature of government programs and policies'.⁷⁷ It stated emphatically:

...we need a long-term strategy that is going to provide policy certainty for the sector, clear and consistent funding commitments, a provision for investment assurances and some new growth funding mechanisms.⁷⁸

15.66 The NSW Federation of Housing Associations also underlined the importance of policy certainty for the community housing industry in order for it to continue to 'facilitate stronger partnerships with the private sector and other agencies'.⁷⁹ Likewise, the project that examined the effect of the South Australian Government's program of transferring public housing stock to the community sector referred to the negative effect of the lack of coherent government policy and the stop-start nature of stock transfers.⁸⁰

15.67 This call for continuity and consistency in policy governing the community housing sector is consistent with, and reinforces, similar appeals for overall certainty in Australia's housing policy.⁸¹

75 Andrew Beer et al, *Public Housing stock transfer—impacts and implications for local government*, CHURP, p. 19, <http://www.lga.sa.gov.au/webdata/resources/files/2013.37%20-%20Public%20housing%20stock%20transfer%20Final%20Report%2024%20June.pdf> (accessed 5 January 2015).

76 *Submission 171*, p. 12.

77 *Committee Hansard*, 10 November 2014, p. 9.

78 *Proof Committee Hansard*, 10 November 2014, p. 9.

79 *Submission 80*, p. 3.

80 Andrew Beer et al, *Public Housing stock transfer—impacts and implications for local government*, CHURP, p. 19, <http://www.lga.sa.gov.au/webdata/resources/files/2013.37%20-%20Public%20housing%20stock%20transfer%20Final%20Report%2024%20June.pdf> (accessed 5 January 2015).

81 There are numerous references throughout this report on the importance of having policy certainty around housing and homelessness. See, for example, paragraphs 15.64, 17.30–17.31, 18.63–18.65, 22.40.

Conclusion

15.68 Over recent years there has been a slow transfer of public housing to the community housing sector spurred by the agreement between Australian Housing Ministers to boost the overall proportion of community housing as a proportion of all social housing. This trend received strong support from submitters and witnesses who saw many advantages to having a larger community housing sector. Indeed, a number urged the states to accelerate this transition. While in favour of the transfer, a number of submitters raised concerns relating to ensuring that the interests and rights of tenants in public housing were preserved.

Recommendation 25

15.69 The committee recommends that the Australian Government in collaboration with the states and territories monitor carefully the transfer of public housing stock to the community sector to ensure that this transfer does not adversely affect tenants of public housing or cause them unnecessary anxiety if required to vacate their dwelling. The recommendation is intended to ensure that tenants are consulted about the changes and that their rights as tenants, including security of tenure, of rent levels, and of access to dispute resolution mechanisms is preserved.

15.70 The committee has noted the difficulties that the states have in maintaining an ageing stock of public housing and the low returns from rent due to public housing now serving the most disadvantaged in the community. The community housing sector also faces challenges in finding the finances to maintain and develop properties while being able to provide not only appropriate housing but wrap around services needed by many of its tenants. In this context, the transfer of title becomes a major concern. The committee believes that the transfer of title needs a thorough and comprehensive examination and has accordingly recommended that the Productivity Commission should undertake such a review.

Chapter 16

Particular housing needs

16.1 The committee has quoted statistics regarding households and housing affordability and, in general terms, highlighted the shortage of affordable and suitable dwellings in the private rental market and the social housing sector. Overall, the committee found that low income earners in the rental market in Australia face significant obstacles in finding affordable and appropriate houses. These difficulties are compounded for disadvantaged low-income renters who have particular housing needs.

16.2 In this chapter, the committee looks at particular groups of people who do not own their own home and have specific needs as renters—older Australians dependent on income support, women and children experiencing or under threat of domestic violence, people with a long-term health condition or disability, young unemployed Australians and migrants or refugees.¹ In subsequent chapters, the committee looks at Indigenous housing and homelessness, especially as it affects both young and older Australians.

People with particular needs and the rental market

16.3 With a growing population and continuing shortage of affordable housing, many Australians encounter difficulties finding and retaining suitable housing. Indeed, in this tight rental market where competition for affordable housing is strong, some people are clearly at a disadvantage securing appropriate accommodation. Renters with specific housing needs often find the challenge accessing suitable housing is even greater because of their particular circumstances.² For example, it is important for a person with disability to have an affordable, secure long-term tenancy, with easier access and entry, that is in a safe environment and close to public transport and the services they need.

16.4 The subgroups of those in the rental market with particular housing needs may be characterised by their age, household composition, race, geographic location, or physical or mental disability. While the committee considers the particular difficulties

1 A recent Productivity Commission paper found that people at the highest risk of experiencing deeper or multiple forms of disadvantage include those who are dependent on income support, unemployed people, Indigenous Australians, people with a long-term health condition or disability, lone parents and people with low educational attainment. Rosalie McLachlan Geoff Gilfillan Jenny Gordon, *Deep and Persistent Disadvantage in Australia*, Productivity Commission Staff Working Paper, Productivity Commission, July 2013, p. 11 <http://www.pc.gov.au/research/completed/deep-persistent-disadvantage/deep-persistent-disadvantage.pdf> (accessed 5 January 2015).

2 See, for example, *Proof Committee Hansard*, 30 July 2014, p. 38.

that of a number of these sub groups face in accessing appropriate housing, its main focus is on older Australians. It has taken this approach because older Australians in the rental market experience disadvantage that tends to capture those of the other sub groups. Indeed, Australians with disability or single women may find that their concerns with securing affordable and appropriate housing are heightened as they grow older and face added hardship.

Older Australians in private rental

16.5 The AIHW highlighted the dramatic shift projected to occur in Australia as the population ages, especially over the next 50 years, with noteworthy changes to the age structure of the population. It noted the significance of this structural change:

- the cohort of people aged 65 and over in Australia was 14 per cent in 2012 and projected to increase to 22 per cent in 2061; and
- the cohort of people aged 85 and older was 2 per cent in 2012 (420,300 people) and projected to grow rapidly throughout the projection period to 5 per cent by 2061.³

16.6 Ms Skinner, National Seniors Australia, outlined the types of housing older Australians occupied:

Among people aged 50 and older, 74 per cent own their own home, five per cent still have a mortgage, 10 per cent rent privately, eight per cent are social housing tenants and four per cent are other tenure types.⁴

16.7 Using different figures but consistent with other research findings, Dr Debbie Faulkner, University of Adelaide, stated that currently about 81 per cent of people over 65 own their own home. She informed the committee that this proportion was projected to decline to around 55 per cent by the middle of the century.⁵

Rental market—a brutal place

16.8 Mrs Kylie Ullman, National Seniors Australia, noted that people who have not had the opportunity to purchase their own home and who will not be able to do so by the time they reach 65 face a lifetime in the private rental market or in community and public housing. She noted:

By 2026, the number of lower income people aged 65 and over who are living in rental households, as home ownership falls, are projected to far exceed the supply capacity of the social housing system. Census data from 2006 to 2011 shows a steady increase in the number of renters aged 55 and

3 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 12, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

4 *Proof Committee Hansard*, 10 September 2014, p. 9.

5 *Proof Committee Hansard*, 28 July 2014, pp. 11–12.

over in the private market. Housing affordability is particularly challenging for those in private rental, as rent increases well above CPI. Older renters experience significant anxiety linked to their security of rental tenure and many experience housing stress, which ABS data indicates is also felt by people in other forms of housing.⁶

16.9 The growth in this older age group combined with the gradual decline in home ownership especially among older Australians and the continuing shortage of affordable rental properties has serious implications for older Australians who do not own their own home.

16.10 Indeed, many submitters contended that older people who rent were one of the most disadvantaged groups in Australian society and that their numbers were increasing.⁷ In its submission, COTA noted that the private rental market was often the only option for older Australians as there was 'a critical shortage of public and social housing in Australia'. Referring specifically to people over 65, it stated that around 12 per cent of people of this age were renters, with a third of them in public housing and two thirds in private rental accommodation.⁸

16.11 Moreover, Aged and Community Services Australia suggested that a crisis was emerging with regard to housing and older people.⁹ Professor Beer also agreed there was increasing evidence of 'an affordability crisis for older Australians'.¹⁰

Capacity to pay increasing rents

16.12 Many retired Australians have limited choices when it comes to housing because they are on a fixed income, with a significant number reliant on the pension. In this regard, the 2013 Productivity Commission's report *Deep and persistent disadvantage in Australia*, found:

People aged 65 years and over (especially singles) are far more likely to experience persistent poverty than other households—particularly where estimates have not been adjusted to account for housing costs. Around 17 per cent of elderly couples, 30 per cent of elderly single males and

6 *Proof Committee Hansard*, 10 September 2014, p. 9.

7 See for example, Dr Petersen, University of Queensland, *Proof Committee Hansard*, 10 September 2014, p. 11.

8 *Submission 191*, p. 3.

9 Aged and Community Services Australia had 'the housing crisis for older people' as a heading in its submission, *Submission 111*, p. 3.

10 *Proof Committee Hansard*, 28 July 2014, p. 10.

36 per cent of elderly single females experienced relative income poverty for between six and ten years between 2001 and 2010.¹¹

16.13 Mr Adrian Pisarski, National Shelter, drew attention to 'a long-term intergenerational headache that is really starting to grow'. As noted earlier, he explained:

Australia's pension system is predicated on the basis that people retire owning a property; therefore, the pension is adequate to live if you have achieved home ownership. If you have not achieved home ownership, and this is increasingly the experience of many low-income households, then the private rental market is a brutal place if you are on a fixed income or even a pension, and a pension is probably the best of those income support payments that you can be on.¹²

16.14 Likewise, Dr Petersen referred to the assumption of home ownership that underpins Australia's age pension system. Thus, according to Dr Petersen, the pension does not take account of the rents that pensioners have to pay, particularly in large cities. She stressed, however, that rural areas should not be excluded because her research found that there were significant difficulties in some rural areas as well—particularly in areas where rents are very high because of significant mining and tourism.¹³ Associate Professor Yates, City Futures Research Centre, also highlighted the fact that the age pension was based on the understanding that retired people would own their home.¹⁴

Rental stress

16.15 The 2009 pension review report found that pensioners who rent privately had poorer outcomes, including higher financial stress than pensioners who owned their homes outright or who were living in public housing.¹⁵ It acknowledged that some pensioners faced financial pressures because of the high rent they were outlaying in the private rental market.¹⁶ The welfare system review similarly suggested that

11 Rosalie McLachlan, Geoff Gilfillan and Jenny Gordon, *Deep and Persistent Disadvantage in Australia*, Productivity Commission Staff Working Paper, July 2013, p. 65, <http://www.pc.gov.au/research/completed/deep-persistent-disadvantage/deep-persistent-disadvantage.pdf> (accessed 9 February 2014). See also *Proof Committee Hansard*, 10 November 2014, p. 19.

12 *Proof Committee Hansard*, 10 September 2014, p. 33.

13 *Proof Committee Hansard*, 10 September 2014, p. 11.

14 *Proof Committee Hansard*, 10 November 2014, p. 37.

15 Dr Jeff Harmer, *Pension Review Report*, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 53. https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

16 Dr Jeff Harmer, *Pension Review Report*, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 52. https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf

pensioners experienced difficulties because of 'high rental costs and the declining effectiveness of rent assistance to help with these costs, as well as other disadvantages such as the security of their housing arrangements'.¹⁷

16.16 Dr Baker, CHURP, stated that while a smaller proportion of older people live in private rental housing, 50 per cent of them were paying more than 30 per cent of their income on housing costs and they were already on low incomes.¹⁸ Mrs Ullman noted that about one in four recipients of the Commonwealth Rent Assistance payment aged over 65 was still in rental stress after receiving the payment.¹⁹ She informed the committee that members regularly made contact with National Seniors Australia because they were worried about how they could afford to continue paying rent without a regular full-time wage, particularly if they had to pay for services associated with health care for a chronic health condition.²⁰ In particular, she noted that single women with low superannuation balances and those facing relationship breakdowns in their later years were 'very vulnerable to housing stress'.²¹

Unstable tenure

16.17 A number of witnesses informed the committee that older people living in private rental properties report that they experience high levels of anxiety due to 'unstable tenure, high and frequent rent rises and the need to move relatively frequently'.²² Research undertaken by National Seniors Australia indicated that two-thirds of older Australians wish to stay in their current home or, if they had to move, at least remain in their local area.²³ On this matter of insecure tenure, the National Foundation for Australian Women noted that:

While Commonwealth aged care policy has more recently emphasised ageing in place, this is not an adequate response or solution when so many older people do not have any secure and/or suitable housing in which they can age. This focus has arguably led to a neglect of the range of alternative options such as forms of congregate housing, boarding houses, and retirement villages.²⁴

17 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 68, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

18 *Proof Committee Hansard*, 28 July 2014, pp. 13–14.

19 *Proof Committee Hansard*, 10 September 2014, p. 10.

20 *Proof Committee Hansard*, 10 September 2014, p. 10.

21 *Proof Committee Hansard*, 10 September 2014, p. 10.

22 See for example, National Seniors, *Submission 165*, p. 1.

23 *Proof Committee Hansard*, 10 September 2014, p. 9.

24 *Submission 38*, p. [5].

Modifications to homes for older Australians

16.18 Furthermore, the changing housing needs of older people may require modifications to their dwellings to improve access, to make the surroundings safe and secure, to ensure that certain appliances (heaters, taps, showers) are maintained and simpler to use, and to cater for limited mobility and other health conditions. In other words, the dwellings of older people need to be made free from hazards and obstacles, comfortable and, taking account of reduced mobility, liveable. For example, in its submission, National Shelter noted that adaptability was a key aspect of housing design in the context of an ageing population as people were more likely to acquire disabilities as they age. Thus adjustments and alteration to their houses were necessary to make it easier for them to 'age in place' and could include grab rails in bathrooms and kitchens, a ramp instead of steps and improved house insulation.²⁵

16.19 National Shelter observed, however, that despite the modest extra cost associated with these features, developers were often unwilling to bear this cost, and hesitant to take on new designs or processes untested in the market.²⁶ The same lack of incentive applied to making a rental property more energy-efficient. Dr Faulkner, CHURP, noted that if a person is in private rental, he or she cannot make modifications without the permission of the landlord. Further, if the owners' main purpose was capital gains then they are:

...really not interested in accommodating the needs of their tenant. They can quite easily, in this market, find a new tenant for that housing without having to make those changes to their property.²⁷

16.20 Mrs Ullman noted that appropriate housing options were extremely limited for renters, with assistance for home modifications restricted if the work was considered to be the responsibility of the landlord.²⁸ According to Mrs Ullman, adaptable housing with features of universal design could be more affordable in the long run because a dwelling of this type would be appropriate for people of all ages.²⁹ In its submission, COTA noted that there would need to be some incentives for landlords to modify existing accommodation to make it more appropriate for their tenants. It suggested extending the home modification program or offering enticements through the taxation system as a means to encourage landlords to make their properties more suitable.³⁰

25 See, for example, *Submission 78*, p. 25. Ms Mary Wood, *Proof Committee Hansard*, 10 November 2014, p. 46.

26 *Submission 78*, p. 25. See also paragraphs 13.37–13.39.

27 *Proof Committee Hansard*, 28 July 2014, p. 18.

28 *Proof Committee Hansard*, 10 September 2014, p. 10.

29 *Proof Committee Hansard*, 10 September 2014, p. 10.

30 *Submission 191*, p. 7.

16.21 The committee has already considered the considerable drain on a household's finances by having to relocate. Dr Faulkner explained that one of the reasons older people often move from their private rental is that they cannot get minor modifications done when the house is not their own. She noted:

For them, having to move every 12 months when they are on a fixed income—the searching fees, the moving fees, the disconnection and connection of phone, electricity and all those things—can become an unbearable cost for older people. They find it very difficult to save any money, let alone cover those costs, which can amount to thousands of dollars. Then to find accommodation that can suit their needs out in the rental market is extremely difficult.³¹

16.22 Dr Petersen referred to the lack of protections or safety nets available for older Australians in Australia's private rental market. She noted that the no-fault eviction 'really does disadvantage older people' and contrasted that practice with the stronger tenancy laws and stronger social housing in some European countries. According to Dr Petersen, under the tenancy laws in places such as Germany and Europe, someone who is over 70 cannot be evicted, because 'it puts them in hardship'. Also, as noted earlier, private renting in some European countries is part of a very different culture that accepts long-term tenures. As a consequence, renters in those countries feel secure in their housing. In Dr Petersen's view, if people were being pushed, in a policy way, to the private rental market, some safeguards should be there for older people, or people generally, in terms of the security of their tenure.³²

Access to services

16.23 The committee has noted that people's economic and social wellbeing and their health are connected to good housing.³³ Thus, affordable and secure housing brings health and wellbeing advantages for renters especially as they grow older. In her study, Dr Baker, CHURP, found that people who have health vulnerabilities tend to be concentrated in unaffordable housing, but significantly people in unaffordable housing were likely to have health vulnerabilities. So, in her assessment there was interplay between health and unaffordable housing that worked in two directions. According to Dr Baker, the study showed that being in unaffordable housing had 'a measurable health effect within the population and especially within certain subgroups'. Further, the mental health effect was 'very different for renters and owners', suggesting that housing affordability was 'a different beast' for renters than it was for home owners.³⁴

31 *Proof Committee Hansard*, 28 July 2014, p. 18.

32 *Proof Committee Hansard*, 10 September 2014, p. 15.

33 Mr Yates, *Proof Committee Hansard*, 28 July 2014, p. 22.

34 Dr Baker, *Proof Committee Hansard*, 28 July 2014, pp. 14 and 17.

16.24 In this regard, the lives of a significant minority of older Australians are affected not only by limited access to affordable housing but also to the support services that would help them to remain housed in suitable accommodation. Ms Skinner noted that the provision of affordable housing must address a wide range of housing options and associated policy areas, including employment, health and aged care supports.³⁵ Any consideration of affordable housing for Australia's older population must provide for these other aspects of social wellbeing.

16.25 Mrs Ullman underscored the importance of having policies that would ensure integrated support and health services for older Australians. In her view, such a joined-up, holistic approach would assist housing security and ageing in place. It would help to improve access to affordable rental accommodation; prevent older Australians from experiencing homelessness for the first time; and take account of the diverse and complex nature of exclusion as experienced by older Australians.³⁶ The National Foundation for Australian Women also referred to the Commonwealth's aged care policy with its emphasis on ageing in place. In its view, the Commonwealth's solution is inadequate 'when so many older people do not have any secure and/or suitable housing in which they can age'.³⁷ Unaffordable and inappropriate housing means that older Australians are at increased risk of prematurely entering residential aged care, forgoing many of their freedoms and independence.

Recommendation 26

16.26 In light of the anticipated rise in the number of older Australians in the private rental market, and the insecure tenancy confronting many older renters, the committee recommends that the Australian Government look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market. The aim would be to determine how policies designed to assist older Australians remain in their home could take better account of, and accommodate, the added difficulties for older people accessing safe and secure housing and in conducting modifications to rental dwellings, and more broadly in renting in the private rental market.

Older Australians and social housing

16.27 The 2009 pension review found that social housing, through the community sector and state housing authorities, provided security of tenure for those with an ongoing need as well as with rent setting policies that ensured affordability.³⁸

35 *Proof Committee Hansard*, 10 September 2014, p. 9.

36 *Proof Committee Hansard*, 10 September 2014, p. 10.

37 *Submission 38*, p. [5].

38 Dr Jeff Harmer, *Pension Review Report*, 27 February 2009, p. 52.
https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf
(accessed 14 January 2015).

16.28 More recently, the NHSC observed that a notable response to chronic insecurity in the rental market among the current generation of older Australians was a greater shift to social housing. In 2004, 48.3 per cent of renters over 64 years of age were in the social housing sector. The proportion of renters in social housing increased with age to 57.8 per cent of those over 84 years.³⁹

Advantages of social housing for older Australians

16.29 In its submission, COTA noted that the supply of social housing was an essential part of the housing stock, which provided low income people and homeless people or people at risk of homelessness with a pathway to secure long term accommodation. COTA noted further that long-term tenure as well as the low rent made it 'particularly valuable to older people so they would not have to move around, could maintain links to a community and feel confident about accessing services if they need them'.⁴⁰

16.30 Dr Petersen informed the committee that social housing offered the solution to affordable housing for older Australians. She stated:

In Australia, there are great examples of affordable, accessible housing that is very attractive, that offers security to older people, and older people tell us that they feel very secure there and they are very happy there.⁴¹

16.31 Along similar lines, Dr Faulkner spelt out the advantages of public housing, which had proven 'a really valuable option for older people'. She told the committee that the stability and cost of public housing had been a wonderful option in South Australia for older people. Dr Faulkner also noted that, while making minor modifications designed to assist older people at home was a major issue in the private rental market, the operators of public housing would provide those modifications.⁴² She added, however, that public housing was no longer guaranteed: that being old or over 65 was no longer a criterion for entering into public housing. In her words:

So they are forced to essentially seek low-cost accommodation from some of the other aged care and housing providers in this state. We have had some comments from some of those providers that every day they are fielding inquiries from older people looking for low-cost rental, stable housing. At the moment they cannot fulfil those requests.⁴³

39 The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, p. 58, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 6 March 2015).

40 *Submission 191*, p. 4.

41 *Proof Committee Hansard*, 10 September 2014, p. 14.

42 *Proof Committee Hansard*, 28 July 2014, p. 18.

43 *Proof Committee Hansard*, 28 July 2014, p. 12.

16.32 While Mr Yates, COTA, acknowledged that public housing in Australia had been a significant source of housing for lower income people in retirement, he noted that this had not been the case for some time. He maintained that although a lot of older people—pensioners—were still in public housing, the front door on this type of housing shut quite a while ago.⁴⁴

16.33 Indeed, the NHSC found that the lack of growth in the sector and the competing claims of other population groups meant that the social housing system alone was unlikely to be able to respond adequately to these demands from older renters. It concluded:

Older people will continue to be a high proportion of tenants in the social housing system, but it is likely that a steadily increasing proportion of low-income older households will be renting in the market sector.⁴⁵

16.34 According to the NHSC, the social housing sector was likely to face three major challenges with retirement of the baby boomers:

- Overall volume—the larger population coupled with prevailing proportions of households outside home ownership means that, even as a residual housing option, social housing demand will climb.
- Suitability of the social housing stock—even though more of the existing social housing stock is tenanted by older Australians, it is potentially not well suited to complex needs and limited independence of older Australians. More of the growth in specialised housing will need to come from the not-for-profit sector, including non-profit retirement homes or 'independent living units'.⁴⁶
- Cost of providing such housing—even as the onus shifts away from government housing provision, the need for high levels of subsidy will strain government finances and policy. The low incomes of older social housing

44 *Proof Committee Hansard*, 28 July 2014, p. 22.

45 The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, p. 58, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

46 The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, pp. 58–59. http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

tenants, along with their complex needs, will mean that specialised, and therefore expensive, housing will be needed.⁴⁷

16.35 Importantly, NHSC thought it was worth noting that renters, and social housing renters, were 'more likely to end up in nursing homes'.⁴⁸ This finding underscores the importance of having a national 'ageing in place' policy designed to assist older Australian's remain in their home, which would take better account of, and accommodate, the particular difficulties for older people renting in the private rental market.

Alternate accommodation

Transportable homes and caravan parks

16.36 As the demand for public housing continues to outstrip supply, Mrs Ullman observed that increasingly people of all ages and backgrounds were looking to manufactured homes in caravan parks as an affordable, permanent, interim or crisis housing option. She was concerned, however, that these housing options faced 'major challenges as their ageing stock no longer met the expectations of many older people'.⁴⁹ Members of National Seniors Australia also expressed disquiet about the lack of secure tenure, short-term rolling contracts and the focus of park operators on selling residential parks and villages to large-scale developers. According to Mrs Ullman, displaced residents have few other housing options available to them and owners can lose their home if they are unable to relocate to another park.⁵⁰

16.37 Mr Yates referred to the significant growth in transportable homes, albeit off a relatively low base. According to Mr Yates, the homes were generally cheaper and an improvement on the ones available. COTA did not have an issue with such houses except that the legislative environment for them was much patchier than retirement village legislation. Mr Yates suggested that the regulatory environment needed to be examined carefully to make sure there were good consumer protections in place. It

47 The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, pp. 58–59.

http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx
(accessed 22 August 2014).

48 The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, pp. 58–59.

http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx
(accessed 22 August 2014).

49 *Proof Committee Hansard*, 10 September 2014, p. 10.

50 *Proof Committee Hansard*, 10 September 2014, p. 10.

was also important, according to Mr Yates, to look at 'some of the risk management if things should go wrong with the company that is operating them'.⁵¹

Older single women

16.38 There is also a subgroup within the broader grouping of older Australia that confront a particular challenge in gaining access to affordable, safe and appropriate housing—single women, who often have inadequate incomes.⁵² Ms Dalley-Fisher, Equality Rights Alliance, argued that many factors combined to make older single women 'particularly vulnerable to housing insecurity, including years of unpaid caring, low superannuation, relationship breakdown and wage inequity'.⁵³

16.39 Ms Coleman, the National Foundation for Australian Women, drew attention to the fact that many older women were without any other capital asset and had 'a very, very high propensity to be entirely dependent on the age pension'.⁵⁴ Furthermore, the Foundation suggested that research also showed that the number of single, older women soon reaching retirement age without either economic or housing security was set to increase.⁵⁵

16.40 The committee has referred to the prevailing high rents in Australia and recognised that many people on low fixed incomes were under rental stress and further, as noted earlier, the pension assumed home ownership.

Women on low incomes and affordable housing

16.41 In certain circumstances, women on low incomes may find themselves having great difficulty finding affordable and appropriate housing. Ms Dalley-Fisher noted that women were over represented in key poverty indicators and tended to be at 'a significant financial disadvantage compared to men' and hence found it harder in the tight housing market.⁵⁶ She produced the following statistics:

Women make up 53 per cent of adults in low-income households, and there are more women than men in that category experiencing rental stress. Women make up 59 per cent of those accessing homelessness services. Contrary to common stereotypes, the face of housing stress and homelessness in Australia is female.⁵⁷

51 *Proof Committee Hansard*, 28 July 2014, p. 25.

52 See for example, Mr Schrapel, *Proof Committee Hansard*, 28 July 2014, p. 33.

53 *Proof Committee Hansard*, 10 November 2014, p. 19.

54 *Proof Committee Hansard*, 30 July 2014, p. 55.

55 *Submission 38*, p. [2].

56 *Proof Committee Hansard*, 10 November 2014, p. 19.

57 *Proof Committee Hansard*, 10 November 2014, p. 19.

16.42 Ms Findlater Smith, National Council of Women of Australia, observed that in cases of divorce or family breakdown, women were generally the ones who suffered most:

Even if they get the house—which is probably mortgaged—they cannot afford the mortgage payments. If they get half the house after it has been sold, that usually goes to pay their rent.⁵⁸

16.43 The Council also drew attention to the lack of available and accessible housing for older single women. For example, it stated that 'accessing the private rental market was difficult in Canberra not only because of cost, but transport, home modifications and the willingness to see elderly women as legitimate tenants'⁵⁹ According to the Council, however, the 'marketing' of elderly single people as tenants of choice was working with some real estate agents.⁶⁰ It cited two particular concerns related to housing and older women:

- 'the hidden and increasing problem of families pushing older females out of their circle (and their assets)'; and
- the over-representation of women among the homeless or those living in marginal housing.⁶¹

16.44 Sudden illness, the need to undergo lengthy treatment or a period of unemployment can also place a single low-income woman at risk of serious rental stress or even homelessness. But domestic violence is one of the main causes of homelessness for both men and women, but mainly for women and particularly for women with children.⁶²

Domestic violence

16.45 Ms Lulu Milne, Women's Legal Service Queensland, informed the committee that domestic violence had been estimated to cost the Australian economy \$13.6 billion annually.⁶³ Indeed, the Women's Legal Services NSW told the committee that domestic and family violence was the biggest single cause of homelessness among women and children.⁶⁴

58 *Proof Committee Hansard*, 30 July 2014, p. 53.

59 *Submission 98*, p. 7.

60 *Submission 98*, p. 7.

61 See, for example, *Older Women and Homelessness Seminar*, prepared by DMA for National Council of Women of Australia ACT, p. 8, *Submission 98*, National Council of Women of Australia Ltd and The National Foundation for Australian Women, *Submission 38*, p. [1].

62 *Proof Committee Hansard*, 30 July 2014, p. 53.

63 *Proof Committee Hansard*, 10 September 2014, p. 17.

64 *Submission 65*, p. 2.

16.46 Women experiencing domestic violence were often reluctant to leave an abusive partner because of the lack of affordable housing, which was a major barrier.⁶⁵ Delay in moving to a safer place puts women and children at risk of further violence.⁶⁶ The Central Highlands Local Area Service Network also observed that:

...the fear of not having somewhere suitable to live is one of the most common factors which lead women to make the decision to stay in an abusive relationship rather than report the abuse and seek safety for themselves and their children.⁶⁷

16.47 Similarly, Equality Rights Alliance noted that the lack of safe, affordable housing was a major barrier for women seeking refuge, which underlined the fact that women may remain in violent relationships because they have no alternative accommodation.⁶⁸

Social housing

16.48 According to Ms Milne, the eligibility criteria for social housing was restrictive and many women were deemed ineligible for such housing, despite experiencing high-risk domestic violence and being unable to afford private rental accommodation. For example, having an income is an eligibility criterion for social housing with the Department in Queensland.⁶⁹ The Women's Legal Service Queensland also noted that women on temporary visas and some New Zealand citizens experiencing domestic violence do not qualify for social housing as they are not permanent residents or Australian citizens.⁷⁰ It suggested that social housing and affordable housing providers could relax their eligibility criteria for women and children escaping domestic violence, which may include women applying for permanent residency under the Migration Regulations and women who were legal homeowners.

16.49 Ms Milne observed that even when women meet the eligibility criteria for emergency housing, waiting times were unacceptable due to the lack of available housing stock.⁷¹ Indeed, in its submission, the Equality Rights Alliance referred to anecdotal reports it had received that women were giving up on public housing as an option because of the long waiting lists.⁷²

65 *Proof Committee Hansard*, 10 September 2014, p. 17.

66 See, for example, Women's Legal Services NSW, *Submission 65*, p. 3.

67 *Submission 55*, p. 3.

68 Ms Dalley-Fisher, *Proof Committee Hansard*, 10 November 2014, p. 19.

69 *Proof Committee Hansard*, 10 September 2014, p. 20.

70 *Submission 59*, p. 2.

71 *Proof Committee Hansard*, 10 September 2014, p. 17.

72 *Submission 95*, p. 10.

Emergency accommodation

16.50 The Women's Legal Service Queensland referred to the 'chronic underfunding for refuges and an ever increasing demand for medium to long term housing'. It stated that women and children were in refuges for extended periods while waiting for social housing.⁷³ Thus, access to emergency accommodation or a refuge tended to be 'crisis driven and restricted to women presenting in high-risk situations'.⁷⁴ Ms Milne explained:

Once in refuge, women face long wait times to access more permanent housing, as exit options are limited. This creates a bottleneck, as women are waiting longer in refuge.⁷⁵

16.51 Furthermore, Ms Milne also observed that women were required to pay rent and board but, when a woman does not have an income, that can be a barrier to her accessing a refuge.⁷⁶

Motel accommodation

16.52 Ms Milne told the committee that DVConnect, which is Queensland's state-wide crisis service, was 'routinely having to place women and children in motel accommodation because of a lack of available or appropriate refuge places'. According to Ms Milne, last year, DVConnect placed 2,300 women and 3,700 children in motels.⁷⁷ Ms Rachel Neil, also from the Women's Legal Service Queensland, stated:

Putting women in motels is really inadequate. It takes them away from their support structures and their communities. It takes children from their schools. Often women are staying because they do not want to go into a motel. It is scary. There are all sorts of decisions that a woman goes through when she decides to leave, but that in our experience is a really big one. Where do I go?⁷⁸

16.53 Women stay in motel accommodation until they are able to take up the next space in a refuge, which could result in a couple of moves for the woman. This heavy demand on refuges means that the queue of women waiting for a safe place to live is long and a women seeking emergency relief might not get the next vacancy in a refuge because the woman in the motel takes that place.⁷⁹

73 *Submission 59*, p. 2.

74 *Proof Committee Hansard*, 10 September 2014, p. 17.

75 *Proof Committee Hansard*, 10 September 2014, p. 17.

76 *Proof Committee Hansard*, 10 September 2014, p. 20.

77 *Proof Committee Hansard*, 10 September 2014, p. 17.

78 *Proof Committee Hansard*, 10 September 2014, p. 19.

79 *Proof Committee Hansard*, 10 September 2014, pp. 22–23.

16.54 Essentially, the Women's Legal Services NSW attributed the inadequacy of housing options for victims/survivors of domestic and/or family violence to 'systemic failures across emergency, temporary and long-term housing options across public, social and private housing systems'.⁸⁰

Solutions

16.55 The Women's Legal Service Queensland called on governments to increase funding for the supply of a range of affordable housing options, including social housing and subsidised rental schemes. It also saw significant potential in investing in effective programs to prevent homelessness caused by domestic violence.⁸¹ It referred to the Private Rental Assistance Program (PRAP) operating in areas of Victoria, which, in its view, offered a successful model. It stated:

This has been demonstrated to be effective in assisting eligible women to access sustainable long term private rental, which has the broader benefit of reducing the pressure on refugees and the demand for social housing.⁸²

16.56 Ms Milne suggested that other states also provided rental subsidy programs offering medium-term financial assistance to remain in or to acquire private rental. This allowed women to plan for sustainable housing and bypass the crisis housing services.⁸³ For example, the Women's Legal Service Queensland also referred to the Start Safely Program in New South Wales, which provided medium-term rental subsidy for women in the private market.⁸⁴

16.57 According to Women's Legal Services NSW, the Start Safely Program has allowed some of its clients to access the private rental market while they are re-establishing themselves. But it acknowledged that the Start Safely rental subsidy may not be an appropriate solution for all women escaping domestic violence. Under the program, women are only supported for a period of up to 24 months. Thus, while supporting the program, Women's Legal Services NSW noted that it was common for its clients to experience long-term psychological, social and economic difficulties because of domestic and/or family violence, which could significantly limit their capacity to work. Importantly, it suggested that in some cases public housing accommodation was 'a much more appropriate housing solution'.⁸⁵ The Women's Legal Service Queensland also advocated the introduction in Queensland of a scheme similar to the New South Wales' 'Staying Home Leaving Violence' program, which

80 *Submission 65*, p. 5.

81 *Proof Committee Hansard*, 10 September 2014, p. 17.

82 *Submission 59*, p. 3.

83 *Proof Committee Hansard*, 10 September 2014, p. 17.

84 *Proof Committee Hansard*, 10 September 2014, p. 18.

85 *Submission 65*, p. 6.

allowed women to remain safely in their home and to avoid the disruption of homelessness.⁸⁶

16.58 The committee fully supports state-based programs designed to assist women seeking affordable and safe accommodation removed from the risk of domestic violence. The current shortage of emergency shelter and longer term affordable housing, however, should be of concern to the Australian Government. The pressing need for such accommodation reinforces the committee's recommendation for the Australian Government together with the states and territories to commit to an increase in public housing and an overall increase in social housing.

Disability

16.59 People with disability often face the same difficulties as older Australians in finding affordable and suitable accommodation—paying high rents from a low fixed income, difficulty finding a suitable property, having a house modified to meet their particular requirements and securing stable tenancy. For example, Side by Side Advocacy noted that people with disability who are dependent on their disability pension and other Centrelink benefits have difficulty coping with periodic increases in rent. It also indicated that rental properties were often physically inappropriate and:

...most landlords will not agree to modification even at no cost to them and would most likely just choose an applicant who is able and willing to move into the property without the need for modification.⁸⁷

16.60 Likewise, the Ethnic Disability Advocacy Centre referred to the difficulty people have in finding accessible rental properties in the private market as most landlords were reluctant to spend money to make their properties accessible. Indeed, discrimination was one area where people with disability may experience a particular obstacle to gaining access to the private rental market. Ms Iscel, Ethnic Disability Advocacy Centre, stated that it was very difficult for a person with a disability in the private rental market because once an estate agent or landlord see the person has a disability they think 'lack of income, do they work'.⁸⁸ A person with a disability may also experience difficulty inspecting rental properties and moving from one advertised vacancy to another in time for inspection.⁸⁹

16.61 Giving evidence in Western Australia, the Ethnic Disability Advocacy Centre noted further that tenancy agreements of people with disability living in Department of Health (DOH) accommodations were often terminated if the person started to earn about \$500 per week. It gave the example of one of their clients, who currently lived

86 *Proof Committee Hansard*, 10 September 2014, p. 17.

87 *Submission 57*, p. 4.

88 *Proof Committee Hansard*, 11 November 2014, p. 36.

89 *Proof Committee Hansard*, 11 November 2014, pp. 36 and 37.

in wheelchair accessible accommodation provided by the DOH. The Centre explained further:

He currently works two days a week. Although he is experiencing financial difficulty and is able to work more than two days a week, he can't because he will lose his accessible house when he earns more than the DOH threshold.⁹⁰

16.62 It suggested that people with disability should be allowed to continue to live in their DOH-provided home with the rent based on their income.⁹¹

Role of social housing

16.63 Many people with disability also require support services to assist them. In its submission, the WA Association for Mental Health suggested improving the flexibility and personalisation of landlord services by transferring a higher proportion of low income housing to the administration of community providers and expanding the opportunity for community-managed low-cost housing initiatives. It cited as examples, the Victorian Common Equity Rental Cooperatives (CERCs) and Rental Housing Cooperatives (RHCs) programs.⁹² In this regard, AHURI recognised that housing assistance:

...provides stability for those who may otherwise have no sense of control over their lives; improves resilience and independence especially in relation to health, family relationships and monetary concerns; reduces exposure to very-high housing costs and the risk of eviction; and makes it more likely they will gain and retain paid employment.⁹³

16.64 AHURI suggested that governments could improve social inclusion for persons with a disability by providing more social housing that accommodates the needs of this vulnerable group and avoiding having concentrations of such groups in particular clusters.⁹⁴ Side by Side Advocacy also contended that social housing was the only viable and sustainable option for people with disability who were dependent on their disability pension and other Centrelink benefits.⁹⁵

National Disability Strategy

16.65 The National Disability Strategy 2010–2020, which sets out six priority areas for action, includes housing under the objectives of inclusive and accessible communities and under Economic security. It was endorsed by COAG on

90 *Submission 102*, p. [2].

91 *Submission 102*, p. [3].

92 *Submission 143*, p. [4].

93 *Submission 93*, p. 32.

94 *Submission 93*, p. 32.

95 *Submission 57*, p. 6.

13 February 2011.⁹⁶ The Strategy also recognises the importance of having anti-discrimination measures, complaints mechanisms and advocacy, which would have an important role in ensuring that people with disability are treated fairly in the rental market.

16.66 The committee recognises the challenges facing people with disability in accessing affordable and appropriate housing and strongly supports the National Disability Strategy 2010–2020 which recognises the central importance of housing for persons with disability.

Refugees and migrants

16.67 In its submission, Shelter SA expressed concerns about the need for culturally appropriate housing for new arrivals to Australia and recognised the unique requirements of a range of culturally and linguistically diverse communities.⁹⁷ Professor Dodson noted that many cultural groups have different forms of family structures. For example, new migrants 'often have larger families than perhaps more established groups within the Australian community'. In his assessment:

That creates a potential mismatch in social housing stock, and we see a number of problems in our social housing supply of two- or three-bedroom houses or apartments which cannot accommodate, say, a five-, six- or seven-person household. In our new rental supply or housing supply in general we do not see larger dwellings with multiple bedrooms in many parts of the spatial housing market being supplied. It is very hard to, for example, buy a four-bedroom house or apartment within the inner city or even in some of the middle suburbs of Melbourne.⁹⁸

16.68 Moreover, the problems confronting migrants and refugees when seeking access to affordable and appropriate housing are compounded where disability is involved. In its submission, the Ethnic Disability Advocacy Centre observed that due to low income, people from migrant and refugee backgrounds with disability were 'usually being housed in the fringes of the metropolitan areas' where there was 'very little access to public transport, employment, health services, and disability support services'.⁹⁹

16.69 According to the Ethnic Disability Advocacy Centre, people with migrant or refugee backgrounds with disability on low incomes in the private rental market, 'are forced to live in sub-standard inaccessible houses'. Also, when looking for a property to rent, they may face 'racial and disability discrimination from real estate agencies

96 Department of Social Services, 'Disability and Carers: National Disability Strategy', <https://www.dss.gov.au/our-responsibilities/disability-and-carers/program-services/government-international/national-disability-strategy> (accessed 19 March 2015).

97 *Submission 117*, p. 2.

98 *Proof Committee Hansard*, 9 September 2014, p. 18.

99 *Submission 102*, p. [1].

and landlords'.¹⁰⁰ Indeed, the Equal Opportunity Commission of Western Australia found that there was 'substantial evidence of racial discrimination in the private housing rental market' against Aboriginal and culturally and linguistically diverse people.¹⁰¹

16.70 As with all the groups requiring particular housing needs considered by the committee, secure housing has a central role in ensuring that people have opportunities to obtain and maintain stable employment, to pursue education and to enjoy better health. Professor Fiona Haslam McKenzie concluded:

Where you have inadequate housing or inappropriate housing you often have escalated domestic violence, overcrowding, and inappropriate living arrangements for young people and old people, or sometimes Aboriginal people where they deem it is culturally inappropriate.¹⁰²

16.71 The complex requirements of disadvantaged people or people with disability underscores the need to look at affordable housing more broadly and to take account of the support services required to help people find a house, maintain their tenancy and prevent them from falling into homelessness.

Essential service workers and long term residents of regions undergoing rapid development

16.72 Although not in the same category as pensioners who are renting, women and children experiencing domestic violence or people with disability, there are other groups that have significant difficulties accessing affordable rental properties due to very high rents. For example, according to the National Union of Students, there is a crisis in student housing affordability, with students entering a housing market characterised by high rental costs and thus forced to live in acute housing stress.¹⁰³ Professor Earl drew particular attention to the housing problems facing students who move interstate to attend university.¹⁰⁴

16.73 Also, sometimes external developments can place individuals at particular risk of rental stress. For example, the 2009 Henry Review noted:

In a limited number of areas—such as in mining towns facing supply constraints in the provision of rental housing—market rents may reach a level where even the enhanced Rent Assistance program envisaged by the

100 *Submission 102*, p. [1].

101 Equal Opportunity Commission, *Report of outcomes of the Recommendations of Accommodating everyone*, March 2011, p. 8, <http://www.eoc.wa.gov.au/publications/reviews-and-reports> (accessed 6 March 2015).

102 *Proof Committee Hansard*, 11 November 2014, p. 39.

103 *Submission 82*, p. 3.

104 *Proof Committee Hansard*, 10 September 2014, p. 57.

Review will not provide assistance that makes social housing affordable by low income households.¹⁰⁵

16.74 In this same context, Mr Pisarski cited circumstances that arose in mining communities throughout Queensland and Western Australia during the mining booms. In many cases, miners and construction workers earning very high wages could afford to live in those communities causing rents to skyrocket. Essential workers such as butchers, childcare workers and librarians and 'all the people who make up the real fabric of the community could not afford to live in those communities anymore, let alone a pensioner'.¹⁰⁶ Mr Pisarski referred to the detrimental effect that mining booms can have on a local community where long-time residents find themselves priced out of the market. He noted:

Take a pensioner, for example, who may have grown up in Moranbah and might not have ever thought they needed to buy a house because in their lifetime housing had never been that expensive and the rental market was quite affordable.¹⁰⁷

16.75 According to Mr Pisarski, Moranbah's housing prices went up something like 1,500 per cent over a number of years and suddenly older renters had to leave the town they had lived in all their lives. He observed:

You destroy the fabric of the community and you destroy the very things that make that town productive and worthwhile to live in...¹⁰⁸

16.76 Mr Pisarski noted further that you cannot find a butcher, do not have child care, cannot get a book out of the library or get your car fixed when it breaks down because people with such occupations were 'just priced out of those markets'.¹⁰⁹

16.77 Shelter WA, Anglicare WA, and Community Employers WA referred to a number of employer members in the community services sector that have 'expressed their long held concern about the high cost and shortage of housing for their employees, particularly in regional areas of Western Australia'. They noted that government workers were often provided with significant housing subsidies in regional areas of WA, which further reduced the availability of rental properties. In

105 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 615, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

106 *Proof Committee Hansard*, 10 September 2014, p. 34. See also, Western Australian Local Government Association, *Submission 37*, p. 14.

107 *Proof Committee Hansard*, 10 September 2015, p. 34.

108 *Proof Committee Hansard*, 10 September 2015, p. 34.

109 *Proof Committee Hansard*, 10 September 2014, p. 34.

some cases, many essential services workers were forced to live in backpackers' shelters or caravan parks.¹¹⁰

16.78 Mr John Bouffler, Community Employers WA, noted that finding accommodation for staff was particularly challenging for his organisation, notably in regional areas. He explained:

In the Pilbara and in the Goldfields, it is very hard to attract and retain staff. Government provides funding for government staff. It is very hard to pay the costs involved in renting accommodation and in retaining staff, as I said, in those areas. I think the government has a role to play in helping us to do that, because, if you do not have NGOs in those areas, then you are not going to be able to provide the support in those areas. It is not so bad in the Great Southern and it is not so bad in Esperance, but it is particularly [bad] in the Pilbara, the Kimberley and the Goldfields regions.¹¹¹

16.79 As an example, he cited the case where one of its members employed 46 staff in the Goldfields region, but only three had been able to purchase their own homes in the last five years. He wanted to emphasise the difficulty attracting staff because:

...if we do not have people to provide the services out there then you are really going to struggle to support the people who are ultimately in need.¹¹²

16.80 The Pilbara also raised similar difficulties. Mr Bouffler informed the committee that one service provider had to invest over \$4 million for construction of some housing in the Pilbara. To his mind, that was money 'they could otherwise have used to actually employ people to provide services on the ground'—they were 'spending the money on capital investment rather than in the actual provision of services'.¹¹³

16.81 This problem is not confined to towns and regions experiencing a mining boom. The high rents commanded in particular regions or locations in Australia mean that essential workers struggle to find affordable and suitable accommodation. For example, Mr Pritchard, Regional Development Australia, Gold Coast, informed the committee that the shortage of affordable and suitable housing close to the medical and education precincts on the Gold Coast would create difficulties in attracting and retaining young professionals—nurses, teachers and doctors. Further, while there was more affordable housing quite a way out from the CBD, there was a high dependency on car ownership. He noted:

Quite often there is insufficient or non-existent public transport servicing those areas in newly built housing estates, so that requires a heavy

110 *Submission 46*, p. [2]. See also *Submission 174* and *Submission 161*.

111 *Proof Committee Hansard*, 11 November 2014, p. 13.

112 *Proof Committee Hansard*, 11 November 2014, p. 13.

113 *Proof Committee Hansard*, 11 November 2014, p. 13.

dependency on two cars to get around just for simple visits to schools, doctors and shops.¹¹⁴

16.82 In its submission, Shelter WA maintained that local governments can support affordable housing through the provision of land for potential affordable housing (re)developments. The Penny Lane Key Worker housing in inner city Perth, which has been developed in collaboration between the City of Perth and the community housing sector provides an example of a project that is meeting the need for essential workers.¹¹⁵ Indeed, other submitters cited the Penny Lane Key Worker housing as a good model. For example, both the City of Perth and Western Australian Local Government Association commended the project.¹¹⁶

Conclusion

16.83 While pensioners and people dependent on welfare or disability payments are priced out of the private rental market, they also face fierce competition for social housing. Indeed, to avoid severe levels of rental stress and, in some cases, homelessness, social housing provides a much needed safety net. An adequate supply of social housing would mean that older Australians were better able to age in place and not have to forgo daily essentials simply to pay their rent and people with disability not left to fend for themselves in substandard dwellings that make no allowance for their particular needs. Also, an adequate supply of social housing would mean women escaping domestic violence would not be forced to stay in motels or, worse still, remain in abusive relationships.

16.84 While social housing is better able to meet the needs of disadvantaged groups as it offers lower rents, more secure and stable tenure and appropriately modified housing, supply is limited and waiting lists far too long.

16.85 The committee heard that the heavy demand for social housing means that people have to demonstrate that they are in greater need than others on the waiting list, while those already housed in community housing have to demonstrate their continuing disadvantage to remain eligible. Rather than encourage people to improve their circumstances, for example through gaining employment or working extra hours, the shortage of affordable housing and the need to demonstrate disadvantage has the opposite effect.

16.86 Finally, community housing providers do not stop at providing an affordable home, often they have established and strong links with providers across a range of social services, if not providing such services themselves. Quite often, those making hard budget decisions do not take account of the savings to their budgets by ensuring that vulnerable people have access to secure, appropriate and affordable homes,

114 *Proof Committee Hansard*, 10 September 2014, p. 25.

115 *Submission 174*, p. 8.

116 *Submission 43*, pp. 2–3 and *Submission 37*, p. 14.

thereby becoming more productive members of the community and easing the demand on health, police and other social services.

16.87 The committee has highlighted the inadequate supply of social housing, which affects people with specific needs most keenly. In this regard, the committee has already recommended that the Australian Government continue to fund public housing and to lift the number of public houses as a percentage of Australia's housing stock. The committee has also recommended that the Australian Government commit to achieving a higher proportion of overall social housing as a percentage of Australia's housing stock. This additional investment in social housing should go some way to ensuring that people with special needs are housed in affordable and appropriate houses. The committee, however, notes in particular the shortage of emergency housing, particularly for women and children escaping domestic violence, who may be housed in motels. This situation is intolerable.

Recommendation 27

16.88 The committee recommends that the Australian Government together with the states and territories commit to ensuring that adequate funding be made available so that women and children escaping domestic violence are housed in secure and appropriate housing with the necessary support network that would allow them to remain in a safe environment. This approach would mean that women and their children would experience as little social and educational disruption as possible and that the pathway to more permanent housing would be easier. A priority would be to consider the introduction of programs throughout Australia such as New South Wales' Staying Home Leaving Violence initiative, which is designed to protect women who want to live separately from a violent husband or partner, but remain in their home.

16.89 The committee also recommends the Australian Government reverse the cuts to the capital program in NPAH and apply needs-based supply and services program as part of the national affordable housing platform in recommendation 30 (the cuts are discussed in chapter 18).

16.90 The committee has recommended that the Australian Government take a leadership role through COAG to encourage and support the states and territories to establish best practice tenancy requirements that would include minimum standards of safety and habitability, reasonable rent increases and fair and just eviction laws. In addition to this recommendation, the committee makes the following recommendation.

Recommendation 28

16.91 The committee recommends that, in its consideration of current tenancy law, the proposed ministerial council also place a high priority on the obligations and responsibility of landlords when it comes to house modifications for those with particular housing needs. The committee recommends that the council look at measures, such as tax incentives, to encourage landlords to improve the energy

efficiency of their properties and to make required modifications for tenants with disability.

16.92 There are other groups that warrant mention as being particularly disadvantaged in gaining access to affordable and suitable accommodation—Indigenous Australians and young Australians not living at home. The following chapter considers Indigenous housing and the chapter on homelessness includes a section on young Australians living in marginal housing.

Chapter 17

Indigenous Australians

17.1 Compared to other Australians, Indigenous people have relatively low incomes, higher rates of unemployment and lower levels of financial literacy and, as a consequence, the housing options available to them are more limited than for many other Australians.¹ In this chapter, the committee considers the housing choices that Indigenous Australians who cannot afford home ownership must make.

Indigenous households

17.2 The 2015 Prime Minister's report, *Closing the Gap*, found that 'the disadvantage suffered by Indigenous Australians was unacceptable'.² As an example of the areas of demonstrated disadvantage, the report noted:

- the gap in life expectancy between Indigenous and non-Indigenous Australians was 10.6 years for males and 9.5 years for females;³
- Indigenous students were estimated to be behind non-Indigenous students by the equivalent of about two-and-half-years of schooling in the tested area of literacy—'without adequate literacy and numeracy skills, Aboriginal and Torres Strait Islander children and young people will find it harder to take advantage of opportunities that present themselves later in life';⁴
- the proportion of Aboriginal and Torres Strait Islander peoples aged 15–64 years who were employed fell from 53.8 per cent in 2008 to 47.5 per cent in 2012–13;⁵ and

1 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. 1, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

2 *Closing the Gap*, Prime Minister's Report 2015, Commonwealth of Australia, 2015, p. 20, http://www.dpmc.gov.au/sites/default/files/publications/Closing_the_Gap_2015_Report_0.pdf (accessed 2 March 2015).

3 *Closing the Gap*, Prime Minister's Report 2015, Commonwealth of Australia, 2015, p. 7, http://www.dpmc.gov.au/sites/default/files/publications/Closing_the_Gap_2015_Report_0.pdf (accessed 2 March 2015).

4 *Closing the Gap*, Prime Minister's Report 2015, Commonwealth of Australia, 2015, p. 22, http://www.dpmc.gov.au/sites/default/files/publications/Closing_the_Gap_2015_Report_0.pdf (accessed 2 March 2015).

5 *Closing the Gap*, Prime Minister's Report 2015, Commonwealth of Australia, 2015, p. 18, http://www.dpmc.gov.au/sites/default/files/publications/Closing_the_Gap_2015_Report_0.pdf (accessed 2 March 2015).

- Aboriginal and Torres Strait Islander peoples were more likely to experience violence, child abuse and neglect—evidence showed that key drivers of violence were 'alcohol and drugs, inadequate education and unemployment'.⁶

17.3 The 2009 Henry Review noted that, in the context of Australia's housing supply difficulties, social housing provided a valuable stock of houses and, in some areas such as remote Indigenous communities, was the only viable source of housing.⁷ Indeed, statistics produced by the AIHW show that in 2013, Indigenous households were six times as likely as other Australian households to live in social housing (rates of 31 per cent and 5 per cent, respectively).⁸ At 30 June 2013, almost 63,000 Indigenous households were assisted through the provision of social housing.⁹ Of indigenous Australians in social housing:

- public housing was the largest provider of social housing to Indigenous households, with about 30,800 Indigenous households living in such housing at 30 June 2013—a rate of 14 per cent of Indigenous households; and
- Indigenous community housing was the second largest provider—8 per cent of Indigenous households lived in such housing at 30 June 2013.¹⁰

17.4 In June 2013, 9,820 households lived in state owned and managed Indigenous housing (SOMIH), which is administered by state and territory governments. SOMIH is targeted specifically at low- to moderate-income households with at least one Indigenous member and includes dwellings managed by government Indigenous housing agencies for allocation to Indigenous tenants. Indigenous households in SOMIH are not considered special needs households, as SOMIH is an Indigenous-targeted program. For SOMIH, special needs households are those that have either a

6 *Closing the Gap*, Prime Minister's Report 2015, Commonwealth of Australia, 2015, p. 27, http://www.dpmc.gov.au/sites/default/files/publications/Closing_the_Gap_2015_Report_0.pdf (accessed 2 March 2015).

7 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 604, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

8 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. vi, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

9 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 36, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

10 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. vi, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

household member with disability or a principal tenant aged 24 or under, or 50 or over.¹¹ In 2012–13, states and territories spent \$113.3 million on SOMIH.¹²

Trends of indigenous Australians in social housing

17.5 As noted in previous chapters, the provision of housing assistance has shifted over time to be targeted to highly vulnerable groups, which, according to the AIHW, include households where there was an Indigenous member.¹³

17.6 The number of Indigenous households living in public housing increased by 23 per cent between 2009 and 2013 (from 25,115 to 30,774 households respectively). This rise was in contrast to a fall of 4 per cent in the number of other households living in public housing over the same period. The AIHW noted that 'some of the observed increase for Indigenous households may be due to an improvement in Indigenous identification in the public housing data collection (with missing data about Indigenous status dropping from 17 per cent in 2009 to 14 per cent in 2013)'.¹⁴

17.7 This increase in tenancy was also evident in community housing where the number of Indigenous households living in housing provided by the mainstream community sector rose between 2009 and 2013, from 2,680 to 4,640 households—a 73 per cent increase. For other households, the rise was also 73 per cent.¹⁵ The AIHW indicated that:

The growth over time in the contribution of the mainstream community housing sector reflects changes in government policy that have encouraged this sector to play a larger role in the provision of social housing.¹⁶

11 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 52, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

12 Reform of Federation White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 15, https://federation.dpvc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf (accessed 6 March 2015).

13 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 51, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

14 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. 10, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

15 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. 10, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

16 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. 10, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

17.8 In contrast, the number of Indigenous households living in SOMIH fell by 15 per cent between 2009 and 2013, from 11,582 to 9,820 households. The AIHW stated that:

At least part of the reason for this change was a transfer of dwellings between programs. In the past, all Australian states (but not territories) had a SOMIH program but Victoria and Western Australia have not had such a program since around 2010 when SOMIH dwellings were transferred to other social housing programs.¹⁷

17.9 Allowing for incomplete data on Indigenous housing, there can be no doubt that the number of Indigenous households relying on social housing is very high.

Indigenous housing in remote regions

17.10 Aboriginal people living in remote regions of Australia experience additional expenses not encountered in urban areas. The Murdi Paaki Regional Assembly drew attention not only to the limited housing options but the high prices of groceries and proximity to shops as adding to living costs in remote areas. It stated:

If the nearest affordable grocery shop is 200–300 kms away the cost of fuel to get there and back (also higher than in urban areas) means the money left over is much more limited.¹⁸

17.11 The Murdi Paaki Regional Assembly also noted the escalating cost of energy in remote communities, which was increasing to a level that was 'almost unaffordable for people'. It stated:

Solar panels or alternative energy needs to be considered as a matter of urgency as it is also an employment generating possibility.¹⁹

17.12 The Henry Review noted that housing assistance should reflect the difficulty Indigenous Australians may face in accessing mainstream housing markets. In addition, the particular housing needs of Indigenous Australians in remote areas should be addressed through specific measures, such as the provision of capital for house building.²⁰ According to the review, there was a particular need for the provision of capital funding in some circumstances, such as Indigenous Australians in remote areas. The review formed the view that to ensure that housing assistance was

17 Australian Institute of Health and Welfare, *Housing assistance for Indigenous Australians*, 2014, p. 10, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129548051> (5 January 2015).

18 *Submission 127*, p. [1].

19 *Submission 127*, p. [1]

20 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 596, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

effective, the roles and responsibilities of different levels of government in its provision should be made clear.²¹

17.13 The review recognised that public housing was a significant mechanism for providing housing to disadvantaged groups. In other words, public housing had become the primary source of housing for people who could not access appropriate or adequate housing in the private market such as people with a mental illness and Indigenous Australians who too often faced discrimination in the housing market.²² According to the review, rent assistance reforms and the high-need housing payment would not replace the need for governments to provide capital funding for social housing. In the review's assessment, the need for capital funding was particularly strong for Indigenous housing in remote areas, where the Australian Government had already assumed responsibility for the provision of such funding. The review argued that as 'the social housing sector will need to continue to provide a significant part of the stock of housing in Australia, capital funding can also enable a more immediate increase in supply when the housing market is constrained'.²³

National Partnership Agreement on Remote Indigenous Housing

17.14 One of the principal aims of the National Affordable Housing Agreement (NAHA) is to ensure that Indigenous Australians have the same housing opportunities as all Australians. The National Partnership Agreement on Remote Indigenous Housing (NPARIH) is a subsidiary agreement to NAHA designed to help address significant overcrowding, homelessness, poor housing and severe housing shortages for Indigenous communities.²⁴

17.15 Commencing in 2008, the \$5.5 billion investment over 10 years included property and tenancy management arrangements to bring remote housing in line with mainstream public housing standards, including reformed rents and tenancy support programs. Secure land tenure was a pre-condition of investment to secure government

21 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 597, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

22 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 604, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

23 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 616, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

24 *Submission 198*, p. 33.

and commercial investment, and to promote economic development opportunities and home ownership possibilities.²⁵

17.16 According to the Department of Social Services, since 2008, the program had delivered affordable accommodation in over 300 remote Indigenous communities in the Northern Territory, Western Australia, Queensland, South Australia, New South Wales, Tasmania and Victoria.²⁶ As at 31 January 2014, 2,316 new houses had been delivered against the 2018 target of 4,200, and the refurbishment target of 4,876 by 2014 was exceeded early with 6,339 refurbishments and rebuilds delivered.²⁷

17.17 The department also noted the Employment Related Accommodation (ERA) programme, which was designed to break the cycle of welfare dependency that often occurred in remote Indigenous communities. The program was geared to do so by providing affordable accommodation in regional and urban areas to support people from remote communities to access training, education, and employment. As at 31 January 2014, ERA has delivered a total of 112 facilities across Australia.²⁸

17.18 Notwithstanding the efforts to improve the standard of housing for Indigenous Australians, significant problems remain. Ms Findlater Smith, National Council of Women of Australia, indicated that there was a shortage of appropriate and affordable housing for Indigenous Australians. She suggested that one only had 'to look at the money supposedly spent in the Northern Territory on Aboriginal housing, which we know has fallen far short of any target'. She maintained that very few houses had been built despite great aspirations about fixing the problem of 10 years ago. She argued that: 'They were going to build 750 houses in the Northern Territory. I doubt they have built more than 75. Where has the money gone?'²⁹

17.19 It should be noted that while much work remains to be done to improve access to affordable and appropriate housing for Indigenous Australians, some progress has been made. For example, in May 2013, the then Minister for Families, Community Services and Indigenous Affairs drew attention to the fact that the Australian Government had funded the rebuilding or refurbishment of more than 5,300 homes in remote Indigenous communities, nearly two years ahead of schedule. Furthermore, that the government was on track to meet its target of delivering 4,200 new homes by 2018 with more than 1,600 houses already constructed.³⁰ Indeed, as noted above, at

25 *Submission 198*, p. 33.

26 *Submission 198*, p. 33.

27 *Submission 198*, p. 32.

28 *Submission 198*, p. 33.

29 *Proof Committee Hansard*, 30 July 2014, p. 57.

30 Statement by the Honourable Jenny Macklin MP, Minister for Families, Community Services and Indigenous Affairs, 'Continued Investment to Close the Gap', Indigenous Budget Statement 2013–14, 14 May 2013, p. 2, https://www.dss.gov.au/sites/default/files/documents/05_2013/indigenous_budget_statement_2013-14_0.pdf (accessed 20 April 2015).

the end of January 2014, 2,316 new houses had been built and the refurbishment target exceeded.

17.20 Even so, the issues paper on housing and homelessness produced as part of the Federation White Paper process found:

Despite significant government investment over the past 40 years in both mainstream and Indigenous-specific housing and homelessness programmes, many Indigenous Australians continue to experience difficulty securing appropriate and affordable housing.³¹

17.21 As noted earlier, the high proportion of Indigenous Australians living in social housing highlights the importance of governments at all levels ensuring that firstly their investment in housing for Indigenous people is adequate and secondly that it is effective in increasing the supply of housing appropriate for Indigenous households.

Overcrowding

17.22 The department informed the committee that despite the overall investment under the NPARIH, overcrowding remained a significant issue in many Indigenous communities throughout Australia. Data from the 2011 Census showed some reduction in the proportion of Indigenous households experiencing both overcrowding and severe overcrowding (a component of homelessness) in remote Australia. Jurisdictions also reported a reduction in severe overcrowding in communities where there had been capital works investment under the NPARIH.³² The Census indicated that the Northern Territory had the highest incidence of overcrowding (37.5 per cent in 2011), with these rates as high as 60.4 per cent in very remote parts of the Northern Territory.³³

17.23 Between 2011–12 and 2012–13, the proportion of Indigenous people living in overcrowded households declined in remote areas in public rental housing (from 14 per cent to 13 per cent) and very remote areas (16 per cent to 13 per cent) but overcrowding increased in major cities (from 10 per cent to 11 per cent) and inner regional areas (from 8 per cent to 9 per cent). Over the same period, the proportion of Indigenous people living in overcrowded households increased in all areas in SOMIH.³⁴

31 Reform of Federation White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 26, https://federation.dpmc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf (accessed 6 March 2015).

32 *Submission* 198, pp. 31–32.

33 *Submission* 198, pp. 32–33.

34 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 45, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

17.24 Clearly, the persistence and obstinate problem of overcrowding requires a concerted effort by all levels of government to reduce the high rates. Statistics produced by AIHW indicate that Indigenous households were more likely to experience overcrowding, with 11 per cent of SOMIH households classified as overcrowded, as were 11 per cent of Indigenous households in public rental housing, and 4 per cent of Indigenous households in mainstream community housing.³⁵ Among those living in social housing, Indigenous households were twice as likely to be overcrowded compared with all households (11 per cent and 5 per cent respectively).³⁶ The Institute highlighted the extent of overcrowding in remote and very remote areas:

In 2012–13, overcrowded households in public rental housing were more likely to be in Remote and Very remote areas. Among public rental housing tenants, about 1 in 8 Indigenous households (both 13%) living in such housing in Remote and Very remote areas were living in overcrowded households, as were 11% in both Major cities and Outer regional areas and 9% in Inner regional areas. In comparison, SOMIH households in more remote areas were more likely to be overcrowded than those in regional areas, with the proportion ranging from 9% in Major cities to 17% in Very remote areas.³⁷

17.25 The Productivity Commission's 2015 report on government services similarly observed that overcrowding remained a significant issue for many Aboriginal and Torres Strait Islander people.³⁸ Likewise, the issues paper on housing and homelessness drew attention to overcrowding as 'the largest contributor to high rates of homelessness among indigenous Australians'. It noted that Indigenous people living in severely overcrowded accommodation in very remote areas of the Northern Territory represent 11.2 per cent of all homeless Australians.³⁹

35 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 44, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

36 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 75, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

37 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 45, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

38 Productivity Commission, *Report on Government Services, 2015*, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.13, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 2 February 2015).

39 Reform of Federation White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 19, https://federation.dpmc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf (accessed 6 March 2015).

Culturally appropriate housing

17.26 In its submission, Shelter SA wrote about the significance of addressing the cultural needs of Aboriginal people. It stated further that, when increasing the supply of housing, matters such as habitability, affordability and security needed to be recognised as the 'basis upon which Aboriginal families can achieve safety, teach respect to their children, have control over their environment and share language and culture'.⁴⁰ Shelter SA listed a number of other matters that need to be considered, including culturally appropriate housing designed and built to accommodate extended families, with quality materials and durable living spaces.⁴¹

Standard of dwellings

17.27 Indigenous households across all social housing programs were less likely than non-Indigenous households to rate their dwelling as being of an acceptable standard—62 per cent of Indigenous respondents rated their dwelling as of acceptable standard compared to 78 per cent of non-Indigenous respondents.⁴²

17.28 Figures reproduced by the Productivity Commission show that in 2014, the National Social Housing Survey (NSHS) found that nationally:

- for public housing, 65.9 per cent of Aboriginal and Torres Strait Islander households were living in dwellings of an acceptable standard;
- for SOMIH, 70.1 per cent of Aboriginal and Torres Strait Islander households were living in dwellings of an acceptable standard; and
- for community housing, 83.0 per cent of Aboriginal and Torres Strait Islander households were living in dwellings of an acceptable standard.⁴³

17.29 The Murdi Paaki Regional Assembly informed the committee that the standard of work associated with repairs and maintenance carried out in the Murdi Paaki region was sub-standard with work 'already crumbling or failing'.⁴⁴ In its view, improved standards and an increased numbers of dwellings would decrease long-term maintenance costs. It also noted houses being built close together without taking

40 *Submission 117*, p. [2].

41 *Submission 117*, p. [2].

42 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 75, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

43 Productivity Commission, *Report on Government Services*, 2015, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.15, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf> (accessed 2 February 2015).

44 *Submission 127*, p. [3].

account of the need for privacy, which appeared to be considered acceptable for remote communities but could create tensions within the community.⁴⁵

17.30 Also, according to the Murdi Paaki Regional Assembly, changes to housing plans occur every political cycle, which means that with this stop-start pattern there was no opportunity to make the most of any gains. It highlighted the need for consistency and continuity in housing policy and its implementation for Indigenous Australians and urged governments to develop a bi-partisan national approach that would provide certainty and stability.⁴⁶

17.31 This call for certainty and continuity in housing policy was not confined to Indigenous housing but applied overall to Australia's affordable housing and homelessness policies and their implementation.

Conclusion

17.32 The committee has drawn attention to the central role that safe and secure housing has in improving the health, education and employment opportunities of its occupants and of fostering an environment promoting the household's overall wellbeing. If Australia is to narrow the gap on Indigenous disadvantage, clearly access to affordable, secure and suitable housing must be a high and immediate priority. Otherwise, efforts to lift the health and education standards of Indigenous Australians and to improve their employment prospects will be undermined.

17.33 The committee underlines the observations of the Henry Review that housing assistance should reflect the difficulty Indigenous Australians may face in accessing mainstream housing markets. In addition, the particular housing needs of Indigenous Australians in remote areas should be addressed through specific measures, such as the provision of capital for house building.⁴⁷ This observation remains starkly relevant.

17.34 The statistics presented in this chapter show that Indigenous households were six times more likely than other Australian households to live in social housing. Moreover, a significant number of those in social housing experience overcrowding. For example, 13 per cent of Indigenous tenants in public housing in remote and very remote regions were living in overcrowded dwellings and 11 per cent in major cities.

17.35 Considering the interconnection between housing and health, education and employment—which are major concerns with the government's efforts to close the

45 *Submission 127*, p. [4].

46 *Submission 127*, p. [5].

47 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 596,
http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

gap on Indigenous disadvantage—the committee believes that housing should be very much a part of the Prime Minister's closing the gap report.

Recommendation 29

17.36 The committee recommends that housing should be included in the Prime Minister's *Closing the Gap* report: that access to affordable and appropriate housing must be regarded in the same context as Indigenous education, health and employment.

Chapter 18

Homelessness

18.1 Homelessness is one of the most extreme manifestations of people living in housing stress. Between 2001 and 2011, the number of people recorded as homeless and the number living in other marginal housing increased. The causes that underpin homelessness are many, varied and complex. Thus, while the lack of available suitable low-cost housing contributes to people living in these circumstances, a multitude of social, health and economic issues also contribute to homelessness and to people living in substandard accommodation.¹

18.2 In this chapter, the committee looks at homelessness: what is meant by being homeless; the nature and magnitude of the problem; and what is being done to help people out of homelessness and to remain housed.

Definition of homelessness

18.3 The Australian Bureau of Statistics' (ABS) definition of homelessness is informed by the notion of 'home'lessness as distinct from rooflessness. Homelessness may include a lack of a sense of security, stability, privacy, safety, and the ability to control living space.² Noting the ABS distinction between 'home'lessness and rooflessness, the types of homeless accommodation may take the form of improvised dwellings, tents or sleeping out, supported accommodation for the homeless, staying temporarily with other households, boarding houses or other temporary lodgings and severely overcrowded dwellings. The ABS defines a person as homeless if they do not have suitable accommodation alternatives and their current living arrangement:

- is in a dwelling that is inadequate; or
- has no tenure, or if their initial tenure is short and not extendable; or
- does not allow them to have control of, and access to, space for social relations.³

1 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, p. xi, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

2 Australian Bureau of Statistics, *Information paper—a statistical definition of homelessness*, no. 4922.0, 2012, p. 7, [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/B4B1A5BC17CEDBC9CA257A6E00186823/\\$File/49220_2012.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/B4B1A5BC17CEDBC9CA257A6E00186823/$File/49220_2012.pdf) (accessed 20 January 2015).

3 Australian Bureau of Statistics, *Information paper—a statistical definition of homelessness*, no. 4922.0, 2012, p. 7, [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/B4B1A5BC17CEDBC9CA257A6E00186823/\\$File/49220_2012.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/B4B1A5BC17CEDBC9CA257A6E00186823/$File/49220_2012.pdf) (accessed 20 January 2015).

18.4 The National Housing Supply Council (NHSC) defined a person as homeless if he or she did not have access to adequate housing that was safe and secure. People who are homeless fall into three broad groups; that is, those who are:

- sleeping rough (living on the streets);
- living in temporary accommodation, such as crisis accommodation or with friends or relatives; or
- staying in boarding houses or caravan parks with no secure lease and no private facilities.⁴

Statistics on homelessness

18.5 A number of witnesses referred to the increase in homelessness. The Department of Social Services informed the committee that although the overall rate of homelessness in Australia (as a proportion of the overall population) was relatively low, there were still approximately 105,000 Australians who met the ABS definition of homeless.⁵ The key homelessness estimates from the 2011 Census show that:

- there were 105,237 people who were classified as being homeless on Census night (up from 89,728 in 2006);
- the homeless rate was 49 persons for every 10,000 persons, up 8 per cent from the 45 persons in 2006 but down on the 51 persons in 2001;
- the homelessness rate rose by 20 per cent or more in New South Wales, Victoria, Tasmania and the ACT, with the largest fall in the Northern Territory down 8 per cent;
- most of the increase in homelessness between 2006 and 2011 was reflected in people living in severely crowded dwellings, up from 31,531 in 2006 to 41,390 in 2011;
- the number of people spending Census night in supported accommodation for the homeless in 2011 was 21,258, up from 17,329 in 2006;
- there were 17,721 homeless people in boarding houses on Census night in 2011, up from 15,460 in 2006;
- the number of homeless people in improvised dwellings, tents or sleeping out in 2011 was 6,813, down from 7,247 in 2006;
- about three quarters of the increase in the homelessness estimate was accounted for by people who were born overseas;
- there was little change in the total number of Aboriginal and Torres Strait Islander Australians who were homeless (up 3 per cent to 26,744 in 2011);

4 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. 61, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

5 *Submission 198*, p. 33.

- 60 per cent of homeless people in 2011 were aged under 35 years, and 22 per cent of the increase in homelessness was in the 25 to 34 years age group (up 22 per cent to 19,311 homeless people in 2011); and
- the male homelessness rate fell slightly to 56 males per 10,000 males, while the rate rose slightly for females to 42 per 10,000 females.⁶

18.6 The census also produced statistics on people who were not classified as being homeless on Census night but were living in some form of marginal housing and may have been at risk of homelessness. It showed that the number of people living in improvised dwellings fell sharply, down 42 per cent to 4,504 people in 2011; the number of people marginally housed in caravan parks was little changed (at 12,963 people in 2011); while the number of people living in crowded dwellings requiring three extra bedrooms jumped 41 per cent to 60,875 in 2011.⁷

18.7 The statistics show a changing composition of the homeless population with fewer rough sleepers (declined from 8 per cent to 6 per cent of all homeless people from 2006 to 2011) but more people in supported accommodation or boarding houses. It should be noted, however that much of the increase in the numbers of homeless people recorded was related to the inclusion of a new category of people who were residing in overcrowded dwellings.⁸

18.8 The committee notes that the South West Australia Homeless People queried the ABS' definitions of homelessness. It stated that 'if those living in motor vehicles come under the category of 'sleeping rough', as it appeared they did not fit into other categories, then this suggested that there were only 959 homeless people 'sleeping rough' in WA. The South West Australia Homeless People suggested that, 'given what we know of motor vehicles used to house the homeless, this figure is grossly underestimated'. Consequently, it argued that there needed to be a better way of categorising 'sleeping rough' or expand its parameters to capture all concerned.⁹

18.9 Also, Dr Petersen referred to a general recognition in published work of women's homelessness being hidden or invisible because women were more likely to stay with family or friends on a couch or in a garage or something similar. So, in her

6 Australian Bureau of Statistics, Summary of Findings, Introduction, 2049.0—*Census of Population and Housing: Estimating homelessness*, 2011
<http://abs.gov.au/ausstats/abs@.nsf/Latestproducts/2049.0Main%20Features22011>
(accessed 23 December 2014).

7 Australian Bureau of Statistics, Summary of Findings, Introduction, 2049.0—*Census of Population and Housing: Estimating homelessness*, 2011
<http://abs.gov.au/ausstats/abs@.nsf/Latestproducts/2049.0Main%20Features22011>
(accessed 23 December 2014).

8 See also, Mr Patrick Flynn, Mission Australia, *Proof Committee Hansard*, 10 November 2014, p. 27.

9 *Submission 214*, p. 18.

view, it was very difficult to appreciate fully women's homelessness from current statistics.¹⁰

Social housing—supply side

18.10 The 2009 Henry Review was of the view that the focus on people with particular needs and the broader role of social housing in the current Australian housing market meant that:

...some supply side measures are also a critical element of a comprehensive social housing system. Projected population growth will require that supply of social housing keeps pace to ensure that homelessness is prevented.¹¹

18.11 People experiencing homelessness receive priority allocation into social housing and are identified as one of the groups in 'greatest need'. In 2012–13, social housing provided a pathway out of homelessness for 17,581 households and represented 57 per cent of all newly allocated public rental housing. In 2011–12, 54 per cent of priority households that were newly allocated to public rental housing and state owned and managed Indigenous housing (SOMIH) were previously homeless and a further 36 per cent were at risk of homelessness. While social housing may provide the opportunity for homeless people to access a house, the high number who accessed newly allocated public rental dwellings underlines the heavy demand for such housing and its role in providing housing for the most disadvantaged groups.

18.12 Mr Patrick Flynn, Mission Australia, informed the committee of the evaluations of the Specialist Homelessness Services (previously Supported Accommodation Assistance Program), which had shown repeatedly that:

...the lack of social and affordable housing is a problem both because it creates a risk of more people being homeless and because it prevents an exit from homelessness. Yet today the percentage of social housing is at a historic low—less than five per cent of stock—and falling.¹²

18.13 Dr Clark, Shelter SA, noted that during 2012–13 there were approximately 20,000 people who used specialist homelessness services in South Australia, indicating that the close similarity in numbers with the reduction in public housing was no coincidence.¹³ In her view, the only way to reduce or eliminate homelessness

10 *Proof Committee Hansard*, 10 September 2014, p. 13.

11 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 596, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

12 *Proof Committee Hansard*, 10 November 2014, p. 26.

13 *Proof Committee Hansard*, 28 July 2014, p. 29.

as much as possible in any country was to provide social and affordable housing. Dr Clark pointed to the simple fact that supply could not meet the demand.¹⁴

Rooming and boarding houses

18.14 The committee has referred to higher income people crowding out lower income earners from the private market. This process has a cascading effect which affects the homeless. Mr Wilson, Salvation Army, spoke of the difficulties he had in finding emergency accommodation for people in crisis. Even places such as caravan parks no longer offer temporary relief. Mr Wilson told the committee:

In the process of attempting to find temporary accommodation for people in our area [around Rockingham, WA], I have called many of the caravan parks. The common answer is, 'We have no places available.' I think it is mostly because they have become long-term solutions for people. The caravan parks in our area are now places where people live. The places that do have vacancies can be between \$600 and \$1,000 a week, which is unsustainable. It is just incredible to compare what you can rent with what you can get at a caravan park. It just shows there is a lack of housing around.¹⁵

18.15 In its submission, Shelter WA referred to park residents and the precarious and insecure housing that they experience.¹⁶ The National Foundation for Australian Women noted that many older people receiving rental assistance live in private boarding houses.¹⁷

18.16 The Maribyrnong City Council drew attention to the fact that rooming houses had become the de facto form of affordable housing in its area and were often accessed by people on low income such as women experiencing domestic violence, students, refugees and people with disability.¹⁸ It referred to the existence of unregistered or illegal rooming houses which were not compliant with the Victorian health and building regulations. The Council argued that the provision of genuine affordable housing that was safe and secure was required to stop the proliferation of rooming houses throughout the municipality.¹⁹

18.17 Shelter SA noted that the State Parliament had recently amended the *Residential Tenancies Act 1995* to address a range of issues faced by tenants accommodated in rooming or boarding houses, who were some of the most vulnerable people in the community. In its opinion, this legislative change provided a range of

14 *Proof Committee Hansard*, 28 July 2014, p. 34.

15 *Proof Committee Hansard*, 11 November 2014, p. 28.

16 *Submission 174*, p. 13.

17 *Submission 38*, p. 6.

18 *Submission 50*, p. 8.

19 *Submission 50*, p. 8.

protections, including access to a tribunal on issues such as: challenging unreasonable house rules; right of entry and notice provisions; notice provisions for renovations or sale; abandonment of room and protection of any goods or personal effects left behind.²⁰

Lived experiences of homeless people

18.18 A number of witnesses were concerned about the rise in homelessness and, in this regard, the committee has quoted a range of figures to show that homelessness is a reality for some Australians, young and old.²¹ These statistics, however, fail to convey the lived experiences of homeless people, whose voices are often ignored or simply not heard.

18.19 The committee was privileged to have a number of people from a group of homeless people who live in their motor vehicles around the area of approximately 45 km bounded by Rockingham Beach and Kwinana Beach, southwest of the Perth CBD. Mr Jonathan Shapiera, the author of the submission on behalf of the South West Australia Homeless People, had recently experienced an extended period of homelessness.²² He spoke of the enormous difficulties facing those living in cars, stating bluntly that being homeless was a 'dangerous way to live':

Being on the street becomes like [a] shell; you protect yourself as best as possible.²³

18.20 A fellow homeless person, Mervan, explained further:

All we want is a place where we can go at night time. Somewhere with showers and where we can cook a meal and have a laugh and a joke. But we do not have that. You have to have eyes in the back of your head you never know who is going to sneak up and rob you or do damage to your car. You are living on the edge the whole time. It is very hard.²⁴

18.21 Another member of the group, Mr Farmer, told the committee that homeless people were not all drug addicts, drunkards or losers—'a lot of them are genuine people who have just come on very tough times and they have nowhere to go'.²⁵ As Bevan said, they were 'just down on their luck'. They cannot afford housing and the waiting list for accommodation was 'a mile long'. Mr Shapiera explained that the hardest thing when you become homeless was the total lack of services, whether you are sleeping in a car or sleeping anywhere. He referred to being on the bottom rung of

20 *Submission 117*, p. [1].

21 See for example, Ms Kerrie Young, *Proof Committee Hansard*, 10 September 2014, p. 25.

22 *Submission 214*.

23 *Proof Committee Hansard*, 11 November 2014, p. 30.

24 *Proof Committee Hansard*, 11 November 2014, p. 23.

25 *Proof Committee Hansard*, 11 November 2014, p. 22.

a ladder and the 'huge gap' needed to be bridged just to enable people to climb up 'that ladder to even being recognised as being part of the community':

It is such a despair to be at the bottom of the rung and having that gap to get anywhere up the ladder to be respected. It is so hard.²⁶

18.22 Having no fixed address can pose a significant problem for homeless people seeking government assistance as Mr Shapiera described:

I bit the bullet, filled out the application form and I submitted it at Kwinana at the Department of Housing there. No address, and the lady at the counter said, can you put your address down? I said, no I cannot because I am homeless. 'Oh, I am sorry, we cannot accept your application.' I said, 'Excuse me, I'm homeless. I don't have an address.' 'No we can't accept it because you need an address.' She said, 'Could you put down a friend's address? Can you put down any address?' I said, 'No, I'm homeless. I don't have an address. I can put down the registration of my car, but I don't have an address.'²⁷

18.23 Fortunately for Mr Shapiera an acceptable resolution was found due to the intervention of a supervisor. Even so, his experience demonstrated how the simplest of tasks can pose a significant challenge for a homeless person. Another homeless person living in her car contacted the committee to alert members to the difficulty in obtaining or renewing a driver's licence when an applicant has no fixed address.

18.24 Mr Wilson, Salvation Army, reminded the committee that people who are homeless or caught in poverty live in a very different world—they think minute to minute. He provided some insight into the sense of security they draw from their surroundings, which others cannot comprehend:

Sometimes we logically say, 'Why don't you do this; why don't you do that?' But that is from our world. When you deal with people whose world is the car park at Rockingham, to venture outside of that is actually unstable. When you have a small amount of stability, you want to keep it. It is very complex. It is a very complex issue.²⁸

18.25 Centrelink is often the first point of call for a person looking for help and advice. According to Mr Shapiera, it is from this initial contact that people are redirected internally or to other government services not necessarily located close by. He suggested that setting up one team in the major Centrelink premises that was trained in dealing with housing issues would present a front face and satisfy a one stop shop protocol.²⁹

26 *Proof Committee Hansard*, 11 November 2014, p. 28.

27 *Proof Committee Hansard*, 11 November 2014, p. 29.

28 *Proof Committee Hansard*, 11 November 2014, p. 32.

29 *Submission 214*, p. 10.

18.26 The committee notes that apart from the services that Centrelink provides from its premises, it also has Community Engagement Officers, who assist homeless people or those at risk of becoming homeless and are having difficulty visiting a service centre or calling Centrelink. These officers and Homeless Outreach Program social workers deliver services in a range of locations such as drug and alcohol rehabilitation centres, mental health units, drop-in centres, hostels, boarding houses, refuges and informal meeting places such as local parks.³⁰

18.27 The challenge for such outreach services is making those in need of such services aware of the assistance that is available to them and to ensure that, because of their complex needs, the process of receiving assistance from various agencies is coordinated. For example, Mr Nathan Quinnell had been homeless for nearly eight years before he found out about Street to Home, a national program delivered by St Vincent de Paul providing frontline services to the homeless and funded through NPAH. He told the committee that he had been sleeping in a tent out in the bush for a few years and if he had not met up with Street to Home, he 'would probably still be there'.³¹ According to Mr Quinnell, he found out about Street to Home through another person who was homeless. Although connected with Centrelink during the time that he was living in his tent, Centrelink did not mention this service to him. He did note, however, that he did not tell too many people about his circumstances because he was a bit embarrassed at the time.³²

Homelessness among Australians—the young and the old

18.28 Youth Affairs Council of Western Australia noted that young people disproportionately make up around 50 per cent of those seeking assistance from homelessness services each night.³³ Mr Craig Comrie, CEO of the Council, drew attention, however, to the critical shortage of transitional accommodation for homeless youth. He then explained:

...the services that we support and which are our members say that, at any given time, they can be turning away nine out of 10 people who seek support from their service. Most of the homelessness services in the crisis area only have up to eight beds, and there is only a finite number of services in Western Australia. So we definitely do not have anywhere near the beds that we need in the crisis area, and then, looking at moving on to transitional accommodation, there is a huge, huge gap there that we need to try to fill to get young people into transitional accommodation.³⁴

30 Centrelink website, 'Community Engagement Officers', <http://www.humanservices.gov.au/customer/services/centrelink/community-engagement-officers> (accessed 10 March 2015).

31 *Proof Committee Hansard*, 11 February 2014, p. 2.

32 *Proof Committee Hansard*, 11 February 2015, pp. 1–2.

33 *Submission 166*, p. [7].

34 *Proof Committee Hansard*, 11 November 2014, p. 49. See also *Submission 166*.

18.29 Based on its experience supporting young people, Youth Action NSW observed that the fall in the number of affordable houses has had a 'substantive impact on young people's ability to lead fulfilling lives and access education and services'. It noted that the increasing squeeze on an already over-stressed rental market was 'locking young people with particular vulnerabilities out of access to even the most basic housing'.³⁵

18.30 Ms Kerrie Young, Regional Development Australia, Gold Coast, noted that her area had very serious issues with the lack of youth shelters. She informed the committee, 'If you want to talk about the cross-overs, there are young teenage mothers who are also in a great deal of difficulty at the moment'.³⁶

18.31 To date the committee's focus has been on securing affordable housing for Australian households. Once housed, some may have difficulty remaining in their home. Youth Affairs Council of Western Australia highlighted in its submission the importance of ensuring that once housed, a young person has adequate follow-up support to ensure that they do not return to their past living situation.³⁷ A successful social and public housing system requires long-term support that understands the specific needs of its client.

18.32 There are numerous programs that are producing notable successes by providing both housing and other support services designed to keep people housed and to encourage them to become independent and self-sufficient. For example, the Youth Affairs Council of Western Australia referred to Anglicare's work with the state government, Foundation Housing Ltd and the Central Institute of Technology to address the lack of accommodation and housing for young people with its Foyer Oxford project. It described this project as a creative solution that provided:

...a strong collaborative effort to provide at-risk young people with supported accommodation and case management to break their cycle of homelessness, and transition to sustainable independent living'.³⁸

18.33 From its perspective, Foyer Oxford was a 'fantastic' example of innovation in the youth sector. Mr Comrie stated further:

It is the first purpose-built Foyer in the country. It has 98 beds for young people, with specific beds for young parents, and specific beds for young people exiting the justice system and young people leaving the care of the department. That service has been open since February but has been operating in an interim model for quite some time and is seeing some really positive outcomes.³⁹

35 *Submission 51*, p. [1].

36 *Proof Committee Hansard*, 10 September 2014, p. 24.

37 *Submission 166*, p. [6].

38 See *Submission 166*, p. [7].

39 *Proof Committee Hansard*, 11 November 2014, pp. 48–49.

18.34 According to Mr Comrie, the success of the project could be attributed to the requirement for young people to enter into a social contract of engagement with education and employment, which was a critical determinant in staying in sustainable housing.⁴⁰ Foyer Oxford underlined the significance of having strong support networks to help young people stay out of homelessness. For example, Mr Comrie underscored:

...the importance of youth workers and the way that they practise and the way that they support young people is that they are not just capable of dealing with housing as the primary issue and forgetting everything else; it is making that a priority but also trying to deal with and supporting young people around other issues. A lot of that has to do with ensuring that young people have the information they need themselves to make the decisions that they need to change their lives.⁴¹

Access to services

18.35 Youth Affairs Council of Western Australia noted the tendency for policy makers to promote land areas on the urban fringe but argued that that this should be avoided.⁴² It stated that education institutions, employment opportunities, public transport, community activity and health services were limited and also difficult to access in these areas. According to the Council, research indicated that a young person's physical and mental health could deteriorate if these services were not within a reasonable distance from where the young person lived.⁴³

Older Australians and homelessness

18.36 Based on its survey, the most recent Journeys Home Research noted that, although the young tend to be more at risk of becoming homeless, older vulnerable people were not only 'more likely to experience homelessness, but importantly to be homeless more often'. It contrasted the experiences of homelessness by the young which tended to be transitory with that of older Australians.⁴⁴

18.37 The committee has already touched on the vulnerability of older Australians to homelessness, notably those in receipt of the age or disability pension in the private rental market. Mrs Ullman informed the committee that between 2006 and 2011,

40 *Proof Committee Hansard*, 11 November 2014, p. 49.

41 *Proof Committee Hansard*, 11 November 2014, p. 50.

42 *Submission 166*, p. [7].

43 *Submission 166*, p. [7].

44 Abraham Chigavazira, Guy Johnson, Julie Moschion, Rosanna Scutella, Yi-Ping Tseng and Mark Wooden, The Journey Home Research, No. 5, September 2014, *Findings from Waves 1 to 5: Special Topics*, University of Melbourne, p. 2, http://melbourneinstitute.com/journeys_home/assets/pubs/2014/Scutella%20et%20al%20Journeys%20Home%20Research%20Report%20W5.pdf (accessed 10 March 2015).

people over 55 made up 14.1 per cent of all homeless people in Australia.⁴⁵ She stated that older people face a housing crisis when they were unable to maintain or to remain safe in their rental home or to continue living with family, noting further:

A lack of adequate programs, services and supports for older people at risk will lead them further down a pathway to homelessness. This is especially so when a person is nearing retirement, has low and/or fixed income and requires ongoing support for mental health conditions, substance misuse or dementia.⁴⁶

18.38 COTA raised concerns about the increase in homelessness amongst older people, particularly older women, and the increase in older people suffering from housing stress. It noted that there was 'an increase of 14 per cent between 2011–12 and 2012–13 in the number of people over 55 seeking support from specialist services'. COTA stated that this underestimates the number of people who are homeless or at risk of homelessness amongst older people as many were reluctant to use specialist services, particularly when they were homeless for the first time.⁴⁷

18.39 Dr Faulkner indicated that older people were becoming even more vulnerable to homelessness. She cited findings of the NHSC, which suggested that around one in 10 older people was vulnerable to falling out of home ownership. The number included women involved in divorce, separated from their partner or widowed, who have very little financial capability to hold onto the family home or to re-enter the housing market in any way.⁴⁸

18.40 To highlight the emerging problem for older Australians trying to find affordable housing, Mr Yates, COTA, referred to the AIHW and stated:⁴⁹

...we are seeing increasing amounts—still small compared to other groups—of homelessness, particularly amongst older women, and that is a function of housing stress amongst older women without significant superannuation and income. If they lose a job or something like that, then they are not able to either keep up the mortgage payments or the rent.⁵⁰

18.41 Dr Petersen also produced statistics showing the number of homeless people over 55 was 14,851 out of a total of 105,237 and of those aged over 55, 9,521 were men and 5,330 were women.⁵¹ Dr Petersen explained further:

45 *Proof Committee Hansard*, 10 September 2014, p. 12.

46 *Proof Committee Hansard*, 10 September 2014, p. 10.

47 *Submission 191*, p. 4.

48 *Proof Committee Hansard*, 28 July 2014, pp. 11–12.

49 *Proof Committee Hansard*, 28 July 2014, p. 12.

50 *Proof Committee Hansard*, 28 July 2014, p. 22.

51 *Proof Committee Hansard*, 10 September 2014, p. 13.

...it tends to be the single, older person who is paying rent who is subject to more disadvantage—because they are receiving a single's pension payment they cannot afford the rent—so we are more likely to see those people at risk of homelessness and housing crisis.⁵²

18.42 According to Dr Petersen, older renters who, on the whole, had worked, raised their families and lived very conventional lives, find themselves at risk of homelessness for the first time at the age of 60 or over.⁵³ She noted that a recent national study found that 69 per cent of the 561 older people presenting with a housing crisis over a three month period had conventional housing histories—that is, they were people who had rented in the private market while working and raising a family. In retirement, they then experience homelessness 'due to gentrification, due to a lack of affordable housing'.⁵⁴ She stressed that the issue was one of affordable housing.⁵⁵

Keeping people housed

18.43 The South West Australia Homeless People noted that one important question that the committee did not include in its Terms of Reference was:

Once you have a person/persons/family housed within an affordable structure, what is required to keep them there and remove the risk of them becoming homeless?⁵⁶

18.44 In this regard, Ms Young, Regional Development Australia, Gold Coast, recognised the importance of maintaining people in their accommodation:

We need to ensure that the product and the rental cost meet the demand, and adequate funding is available for supporting agencies to assist people in maintaining their tenancies is also important. We can build stock. The development industry knows how to do that, but once we built that roof over their head, the resourcing agencies like MICAH and the others need to also have funding otherwise we cannot support those people to stay in their tenancies.⁵⁷

18.45 Similarly, the Inner South Rooming House Network informed the committee that clients expressed frustration that many services were not resourced to continue assisting people once they were housed.⁵⁸

52 *Proof Committee Hansard*, 10 September 2014, p. 12.

53 *Proof Committee Hansard*, 10 September 2014, p. 10.

54 *Proof Committee Hansard*, 10 September 2014, p. 11.

55 *Proof Committee Hansard*, 10 September 2014, p. 10.

56 *Submission 214*, p. 6.

57 *Proof Committee Hansard*, 10 September 2014, p. 25. MICAH is a member of the community services sector in Brisbane.

58 *Submission 58*, p. 3.

18.46 It is in this context that support services assume such a critical role as do other forms of assistance designed to keep people housed. National Shelter noted that it was important that Commonwealth, state and territory policies on homelessness continue to focus on prevention and early intervention and develop a range of appropriate support models to best meet the needs of people experiencing homelessness.⁵⁹

18.47 Indeed, a number of witnesses spoke of the considerable benefits that flow from providing people with safe, secure and appropriate housing and the required support services designed to keep them housed. The committee has already mentioned the link between secure housing and better health, education and employment opportunities and, though their problems may be complex, the same positive results can be achieved for the homeless. In its submission, National Seniors recommended that housing assistance provided to the over 50s and others who were long-term unemployed should continue for a period after stable employment was gained and financial circumstances have improved.⁶⁰ The Journeys Home research found evidence showing consistently that:

...poor health is more often a consequence of homelessness than a cause, and that individuals whose homeless experiences is characterised by a lack of any form of shelter (e.g the primary homeless) experience the poorest health.⁶¹

18.48 Consistent with this finding, Mr Flynn referred to research showing that keeping people housed not only benefits the individual but also more broadly benefits government budgets with 'big reductions in health and justice costs—police costs'. In his view, there were 'good economic underpinnings to running homeless services and cited Michael's Intensive Supported Housing Accord (MISHA),⁶² which had demonstrated government savings by helping people out of homelessness. He argued that justice and health costs were reduced substantially more than the actual cost of delivering the program.⁶³ MISHA provides secure long-term housing as the very first step for a homeless person. Once a person has the foundation of a home, they then receive intensive support to address their issues and maintain their tenancy.

59 *Submission 78*, p. 18.

60 *Submission 165*, p. 3.

61 Abraham Chigavazira, Guy Johnson, Julie Moschion, Rosanna Scutella, Yi-Ping Tseng and Mark Wooden, *The Journey Home Research*, No. 5, September 2014, Findings from Waves 1 to 5: Special Topics, University of Melbourne, p. 50, http://melbourneinstitute.com/journeys_home/assets/pubs/2014/Scutella%20et%20al%20Journeys%20Home%20Research%20Report%20W5.pdf (accessed 10 March 2015).

62 Based in Parramatta, MISHA follows on from The Michael Project—a three-year initiative that aimed to improve the social inclusion of homeless men through intensive case management and wrap-around support services. See Mission Australia, 'Michael's Intensive Supported Housing Accord (MISHA)', <https://www.missionaustralia.com.au/what-we-do-to-help-new/homelessness/improving-services/misha> (accessed 18 February 2015).

63 *Proof Committee Hansard*, 10 November 2014, p. 26.

18.49 Similarly, Ms Christine Allison understood the importance of keeping people housed:

People leave rehabilitation, prison and long term hospital stays without any real prospect of secure housing; this undoes the benefits of treatment. This is a huge cost in dollar and human terms.⁶⁴

18.50 Clearly programs such as Foyer Oxford and MISHA demonstrate the importance of providing support networks that will assist a homeless person once housed to remain housed. Such programs are central to breaking the cycle of homelessness.

National Partnership Agreement on Homelessness (NPAH)

18.51 In 2008, the Australian Government, with the agreement of the states and territories, set two headline goals to tackle homelessness:

- halve overall homelessness by 2020; and
- offer supported accommodation to all rough sleepers who need it by 2020.⁶⁵

Funding arrangements

18.52 The Commonwealth provides funding through the National Partnership Agreement on Homelessness (NPAH), which commenced in January 2009. NPAH's primary aim is to reduce, prevent and break the cycle of homelessness and increase the social inclusion of people experiencing homelessness.⁶⁶ It contributes to the NAHA outcome that 'people who are homeless or at a risk of homelessness achieve sustainable housing and social inclusion'. The agreement focuses on three key strategies to reduce homelessness—prevention and early intervention to stop people becoming homeless; breaking the cycle of homelessness; and improving and expanding the service response to homelessness.⁶⁷

64 *Submission 35*, p. 2.

65 Department of Families, Housing, Community Services and Indigenous Affairs, *The Road Home: A National Approach to Reducing Homelessness*, 2008, p. viii, <https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/homelessness/the-road-home-the-australian-government-white-paper-on-homelessness> (accessed 10 March 2015).

66 Australian National Audit Office, *Implementation of the National Partnership Agreement on Homelessness*, Audit Report No. 312 2012–13, Performance Audit, 2013, p. 13, <http://www.anao.gov.au/Publications/Audit-Reports/2012-2013/Implementation-of-the-National-Partnership-Agreement-on-Homelessness> (accessed 10 March 2015).

67 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 78, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

18.53 Jointly, the Commonwealth and states and territories provided over \$320 million in 2013–14 under NPAH.⁶⁸ This funding supported over 180 homelessness initiatives and a range of capital projects across Australia. The Department of Social Services also drew the committee's attention to two small programs funded by the Commonwealth—the Reconnect program (\$24 million each year) and the HOME Advice Program. The Reconnect program is designed to provide support services for young people at risk of becoming homeless. A community-based early intervention program for young people aged 12 to 18 years, this initiative provides counselling, group work, mediation and practical support to the whole family to help break the cycle of homelessness.⁶⁹ The HOME Advice Program provides financial capability advice and assistance to people under financial stress and at risk of losing their homes.⁷⁰ It is to be merged with a new activity, the Financial Wellbeing and Capability program.⁷¹

18.54 In addition to these funds, the Commonwealth provides a significant amount of assistance to the states and territories to provide stable pathways to housing and further training and employment for homeless Australians through the NAHA. According to the Department of Social Services, approximately \$250 million of the funding provided under the NAHA has its origins in former programs for homeless Australians.⁷²

18.55 On 30 March 2014, the then Minister for Social Services, the Hon Kevin Andrews MP, announced that in financial year 2014–15, the Federal Government would provide \$115 million towards the continuation of homelessness services in Australia via NPAH. He stated:

That means that if the State and Territory Governments add their equal share of \$115 million it will be some \$230 million for homelessness services in Australia for the next financial year.⁷³

18.56 On 15 July 2014, the Minister indicated that all Australian states and territories had signed the new agreement.⁷⁴ According to the then Minister, this one-

68 Department of Social Services, *Submission 198*, p. 33.

69 *Submission 198*, p. 33.

70 *Proof Committee Hansard*, 30 July 2014, p. 2.

71 *Proof Committee Hansard*, 30 July 2014, p. 2.

72 *Submission 198*, p. 33.

73 The Hon Kevin Andrews, Minister for Social Services, 'Homeless Funding', 30 March 2014, <http://www.formerministers.dss.gov.au/15296/homelessness-funding/> (accessed 12 January 2015) and *Submission 198*, p. 33.

74 The Hon Kevin Andrews, Minister for Social Services, Media Release, 'National support for homelessness agreement', 15 July 2014, <http://www.formerministers.dss.gov.au/15257/national-support-for-homelessness-agreement/> (accessed 10 March 2015).

year extension would 'enable the Government to re-assess Commonwealth housing and homelessness policy with the object of doing things more efficiently'.⁷⁵

Australian National Audit Office report

18.57 In its 2013 report on the implementation of NPAH, the Australian National Audit Office (ANAO) found:

In agreeing the NPAH in 2008 the Australian, state and territory governments made a substantial financial commitment to preventing, reducing and breaking the cycle of homelessness. The governments have committed over \$1.1 billion to new and expanded initiatives, but progress is not leading to the achievement of the expected 7 per cent reduction in homelessness by 1 July 2013. Between 2006 and 2011 the number of homeless people, rather than declining, increased by 17 per cent from 89,728 to 105,237 people.⁷⁶

18.58 According to the ANAO report, while the NPAH target was to be reached by 1 July 2013, the trend indicated that reaching the target would be 'extremely challenging' and was 'unlikely to be achieved'.⁷⁷

18.59 The ANAO report highlighted a number of areas where the implementation of the agreement could be improved. In particular, it observed:

- Where significant reforms to service delivery arrangements are being sought, the performance measurement and reporting framework should be designed to measure the implementation of the reforms as well as the delivery of funded activities and their impact.
- Payments made through the NPAH are not currently linked to the achievement of agreed milestones, as is the case in some other agreements. Creating a payment structure that is more closely related to performance would enhance public accountability in respect of progress being made towards the outcomes sought by governments, and would be worthy of further consideration in any future agreement.

75 The Hon Kevin Andrews MP, Media Release, 'National homelessness agreement on track', 8 July 2014, <http://kevinandrews.com.au/latest-news/2014/07/08/national-homelessness-agreement-track/> (accessed 19 March 2015).

76 Australian National Audit Office, Audit Report No.31 2012–13, Performance Audit *Implementation of the National Partnership Agreement on Homelessness*, Department of Families, Housing, Community Services and Indigenous Affairs, p. 16, <http://www.anao.gov.au/~media/Files/Audit%20Reports/2012%202013/Audit%20Report%2031/Audit%20Report%20No%2031.PDF> (accessed 10 March 2015).

77 Australian National Audit Office, Audit Report No.31 2012–13, Performance Audit *Implementation of the National Partnership Agreement on Homelessness*, Department of Families, Housing, Community Services and Indigenous Affairs, p. 17, <http://www.anao.gov.au/~media/Files/Audit%20Reports/2012%202013/Audit%20Report%2031/Audit%20Report%20No%2031.PDF> (accessed 10 March 2015).

- The NPAH is based on a shared funding model, but the state and territory governments are not required to report financial information to FaHCSIA [the former Department of Families, Housing, Community Services and Indigenous Affairs]. Where a co-contribution approach forms part of any future funding arrangement for homelessness, it is not unreasonable to expect financial information to be reported to FaHCSIA by the state and territory governments, to enable the department to provide assurance to the Minister over the level of contributions made.⁷⁸

National Commission of Audit

18.60 The Report of the National Commission of Audit referred to various reports from the COAG reform Councils, which suggested that there had been 'limited success in delivering affordable housing and reducing the incidence of homelessness'. It stated that 'National agreements have added complexity and increased the administrative burden to all levels of government'.⁷⁹

Future of NPAH

18.61 As already noted, implementing preventive measures to keep people in their homes is critical to addressing homelessness. In its submission, Anglicare stated its belief that an increase in funds for brokerage through the NPAH was essential to prevent people and families from having to move to inappropriate housing. The funds would be used for one-off difficulties: for example to contribute to the clearance of existing debt and to provide material assistance which supports the maintenance of tenancies.⁸⁰ Clearly, there are many programs that are assisting homeless people to find and then remain in appropriate housing.

18.62 In this regard, Mr Comrie, Youth Affairs Council of Western Australia, noted that there had been some great successes in the area of NPAH services, which involved programs not necessarily about providing housing but which provided the peripheral support services that homeless young people need:

So we know that young people who find themselves homeless may have a mental health issue; they may have an educational or employment disengagement issue; they may have a drug and alcohol issue. The NPAH services actually focus on providing specialist support to young people in those areas so that if they have housing they can retain it, and if they do not

78 Australian National Audit Office, Audit Report No.31 2012–13, Performance Audit, *Implementation of the National Partnership Agreement on Homelessness*, Department of Families, Housing, Community Services and Indigenous Affairs, p, 19, <http://www.anao.gov.au/~media/Files/Audit%20Reports/2012%202013/Audit%20Report%2031/Audit%20Report%20No%2031.PDF> (accessed 10 March 2015).

79 *Towards Responsible Government*, Appendix to the Report of the, National Commission of Audit, Volume 2, p. 72, <http://www.ncoa.gov.au/report/index.html> (accessed 10 March 2015).

80 AnglicareWA, *Submission 161*, p. 10.

then they can start to deal with some of the complex issues so that they can get access to housing.⁸¹

18.63 While Mr Comrie acknowledged the successes achieved through the NPAH, he also indicated that the sector was becoming increasingly anxious about murmurs of the possible discontinuation of funding in the area of homelessness.⁸² Mr John Bouffler, Community Employers WA, also noted that the sector and employers had been 'extremely frustrated by the lack of clarity and certainty' in funding.⁸³

18.64 It is worth noting that since 2013, NPAH had been extended for only one-year terms. The current NPAH is due to expire in June 2015. On 23 March 2015, the Minister for Social Services, the Hon. Scott Morrison announced the Federal Coalition Government would provide \$230 million to extend the National Partnership Agreement on Homelessness (NPAH) for two years to 2017. Funding priority would be directed to 'frontline services focusing on women and children experiencing domestic and family violence, and homeless youth under 18'.⁸⁴

18.65 The decision to make funding available for a two-year period is an improvement on the previous one-year term. Nonetheless, the providers of services to the homeless remain apprehensive about the continuity and certainty of funding under NPAH.

18.66 It is also important to note that at a time when demand for appropriate accommodation for homeless Australians or Australians at risk of homelessness is increasing, government funding for such housing is decreasing. In March 2013, the Australian Government announced that under NPAH it would make available \$159 million and that the states had committed to matching this amount taking the amount to \$320 million.⁸⁵ The following year, the government announced that it would provide \$115 million, or 44 million dollars less, to ensure critical homelessness services continued to support some of Australia's most vulnerable people.⁸⁶ The

81 *Proof Committee Hansard*, 11 November 2014, p. 48.

82 *Proof Committee Hansard*, 11 November 2014, p. 48.

83 *Proof Committee Hansard*, 11 November 2014, p. 13.

84 The Hon Scott Morrison MP, Minister for Social Services, Media Release, 'Coalition reverses Labor's funding cuts on homelessness with \$230 million commitment prioritising victims of domestic violence', 23 March 2015, <http://scottmorrison.dss.gov.au/media-releases/coalition-reverses-labor-s-funding-cuts-on-homelessness-with-230-million-commitment-prioritising-victims-of-domestic-violence> (accessed 25 March 2015).

85 The Hon Mark Butler, '\$159 million for national homelessness agreement', Media Release, 16 March 2013 and '\$320 million deal of homelessness services', 28 March 2013.

86 Media Release by Hon Kevin Andrews MP, 'Coalition Government to renew homelessness funding', 30 March 2014, <http://www.formerministers.dss.gov.au/15200/coalition-government-to-renew-homelessness-funding/> (accessed 10 April 2015).

Australian Government's funding remained unchanged for 2015–16 at \$115 million for each financial year.

Withdrawal of funding from Housing and Homelessness Program

18.67 In December 2014, the Australian Government decided to terminate its Housing and Homelessness Program effective from 30 June 2015. This program was designed to provide support for housing and homelessness through research, peak bodies and innovative projects.⁸⁷ The savings achieved over the four years' forward estimates would amount to \$21.1 million. Ms Hand, Department of Social Services, explained that the housing and homelessness program came under the department's review of its major grants program. The review's aim was to identify ways for the department to streamline and make its grants funding more effective and to provide better services with less duplication.⁸⁸ Her departmental colleague, Mr Palmer, added:

...in terms of program 4.1, housing and homelessness, we had \$21 million in the portfolio budget statement for that program. The expenditure that we have incurred so far this year is obviously spent, so that expenditure will continue. The government agreed that in the next two years AHURI would continue to be funded and then in the 2017–18 year my understanding is that there will be no money in that year and going forward from then.⁸⁹

18.68 A number of peak bodies affected by the withdrawal of funding appeared before the committee to highlight the way in which this decision had caused 'significant turmoil and uncertainty in the sector'.⁹⁰ The peak bodies support the organisations that assist the homeless and were notified of the government's decision to remove their funding just days before Christmas.⁹¹

18.69 Mr Piarski, National Shelter, noted that together with many others in the sector, the peak bodies had been at the forefront of developing a reform agenda in the area of affordable housing and homelessness, which was now at risk.⁹² It seemed to him that the decision to axe not just the peak bodies but the whole Housing and Homeless Program pre-empted the findings of the Federation White Paper process.⁹³

87 Department of Social Services Budget Statements 2014–2015, p. 132, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 10 March 2015).

88 *Proof Committee Hansard*, 11 February 2015, p. 16.

89 *Proof Committee Hansard*, 11 February 2015, p. 16.

90 Ms Glenda Stevens, Homelessness Australia, *Proof Committee Hansard*, 11 February 2015, p. 1.

91 Mr Piarski, *Proof Committee Hansard*, 11 February 2015, pp. 5–6. See also Mr Palmer, Department of Social Services, *Proof Committee Hansard*, 11 February 2015, p. 16.

92 *Proof Committee Hansard*, 11 February 2015, p. 11.

93 *Proof Committee Hansard*, 11 February 2015, p. 3.

18.70 Along similar lines, Ms Glenda Stevens, Homelessness Australia, stated that the decision to withdraw the funding made prior to the Federation White Paper process may well undermine 'the strategic approach of the federation process'.⁹⁴ Moreover, the removal of this funding would, according to Ms Stevens, have a long-term effect on the ability of services to support homeless people and to make their experiences of homelessness as short as possible. She stated:

So, if we take it right back to basics, it affects the front line; it affects re-housing families, people from domestic violence, single men and older people. Everybody who is affected by homelessness will be affected by this decision, short and long term.⁹⁵

18.71 Importantly, she referred to the sector's significant loss of trust in the government and the unease within the sector. She explained:

At least every day we have a member ringing up saying, 'Do we renew our membership fees? Are you going to be here?' So, whilst most of our money is government funding, we do get some from our membership, but already that is being put in jeopardy.⁹⁶

18.72 Indeed, even before this withdrawal of funding, Ms Phillips, Australian Council of Social Service, pointed to a general disquiet about overall funding for homelessness, referring to:

...an annual cycle of growing anxiety and uncertainty about the future of the national partnership agreement on homelessness as it is rolled over for 12 months and is then looking for another 12-month or longer extension until there are bigger decisions made about the future of these national partnership agreements.⁹⁷

18.73 This withdrawal of funding and misgivings about the continuation of funding through the NPAH adds to the uncertainty that has grown up around the Commonwealth's commitment and contribution to improving affordable housing for Australians.

Committee view

18.74 The evidence presented in this chapter sent strong and resounding messages that:

- the Australian government cannot vacate the affordable housing space or step back from its responsibilities to ensure that every Australian has access to affordable, safe and sustainable housing;

94 *Proof Committee Hansard*, 11 February 2015, pp. 1–2.

95 *Proof Committee Hansard*, 11 February 2015, p. 11.

96 *Proof Committee Hansard*, 11 February 2015, p. 8.

97 *Proof Committee Hansard*, 10 November 2014, p. 25.

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- in the long run, investment in affordable housing returns dividends not only to the individual struggling to access safe, secure and affordable housing but to the budgets of the Australian, state and territory governments and ultimately the Australian taxpayer by having a more productive community with reduced costs for social, health and unemployment services and for justice and policing; and
 - the lack of certainty around funding arrangements for homelessness is eroding confidence and undermining the efforts of those engaged in providing assistance to the homeless and those at risk of becoming homeless.

Recommendation 30

18.75 The committee recommends that the Australian Government:

- **take a definite and high profile role in placing affordable housing at the forefront of government policy across Australia;**
- **make a strong and certain recommitment to NPAH (including considering reintroducing an ongoing capital component) and its continuation for at least ten years;**
- **task Homelessness Australia with investigating and quantifying the service delivery gap to people experiencing homelessness, and commit to funding NPAH to meet that gap;**
- **recommit to the target to at least halve homelessness by 2025 (originally set at 2020 in the 2008 White Paper) with set milestones at two yearly intervals to track and report on progress and to offer supported accommodation to all rough sleepers who want it;**
- **work to achieve multi-party support for this long-term goal and, noting that this problem cannot be solved at any one level of government, encourage states and territories to commit to this target and to coordinate their response;**
- **take a longer-term approach when funding programs or agreements that would provide certainty of funding so that organisations and people engaged in delivering programs can, with confidence, plan ahead and seek to achieve continuity in the services they provide to homeless people; and**
- **introduce an urgent capital program with the Australian Government and the states sharing responsibility for funding through NPAH to provide fast build, sustainable and appropriate emergency housing and affordable rental housing to meet the needs of Australians rough sleeping and seeking appropriate housing, with the target of housing by 2020 all rough sleepers who seek to be housed.**

18.76 The committee notes the criticism levelled against NPAH but is strongly of the view that the partnership should be strengthened not jettisoned. NPAH is a necessary

mechanism that has the potential to make a real difference to housing homeless people.

Recommendation 31

18.77 Noting that much of the evidence presented before this committee was consistent with the ANAO's findings on the implementation of NPAH, the committee recommends that COAG establish a working group to review the ANAO's findings and reassess the implementation of NPAH to ensure that NPAH has:

- clear performance measures that can be tracked and verified;
- a requirement for states and territories to report to government on their expenditure on housing under NPAH complemented by a reporting framework that measures the implementation of reforms against set benchmarks and the extent to which they are being delivered on the ground;
- Commonwealth funding linked to the achievement of agreed milestones; and
- investigate Centrelink as a one stop shop to assist people experiencing or at risk of homelessness with referral and in-house expertise to link clients with services and housing.

Recommendation 32

18.78 The committee recommends that the Australian and state and territory governments recognise the important work of advocacy and peak organisations in housing and homelessness and provide adequate support to enable them to continue to deliver their much needed services.

18.79 The committee recommends further that the Australian Government reinstate funding for the peak bodies that represent and provide advice on homelessness, community housing and housing and tenancy policy.

Williams decision—implications for funding housing and homelessness

18.80 The constitutional validity of Commonwealth funding agreements on affordable housing was another source of uncertainty raised during the course of the inquiry. This concern was based on the High Court's decision in *Williams v Commonwealth of Australia*, which found that the Commonwealth had acted beyond its executive power in entering into a funding arrangement with a private company to provide chaplaincy services in a Queensland government school.

In other words, the High Court found that the payments made under this agreement were not supported by the executive power of the Commonwealth.⁹⁸

18.81 Although, this decision would not jeopardise all Commonwealth funding programs, it did raise doubt about the validity of some Commonwealth funding programs including the Department of Social Services' grant funding offers. On 24 December 2014, the Minister for Social Services explained:

As a result of developments in the background law and the High Court's Pape and Williams decisions; some programmes will require redesign to ensure conformity with the law. Some grant agreements will be of two years duration as that redesign process takes place. This will also help to ensure service providers have the scope and flexibility to be responsive, innovative and creative in meeting the needs of the community.⁹⁹

18.82 The minister made a similar statement on 30 January 2015:

The Government has also sought to focus on areas of primary Federal responsibility, especially in light of the recent Williams Case that has reframed the funding framework for many services delivered in our communities, and removed the Federal Government from being able to provide direct funding, where previously it may have done so.¹⁰⁰

18.83 According to the Department of Social Services, the Williams decision may well have applied to the Commonwealth grants under its Housing and Homeless program. Referring to the government's decision to discontinue the grants round, Ms Hand noted (as explained earlier) that the department's review of its major grants program was to make the grants funding 'more streamlined and effective, to give better services with less duplication'. She explained further, however, that:

...the review of housing and homelessness programs was done in that context, also taking into account the potential outcomes of the Williams case and legal developments.¹⁰¹

18.84 According to Ms Hand, the Williams decision did 'not exactly' have implications for the federal government funding organisations such as Homelessness

98 High Court of Australia, *Ronald Williams v The Commonwealth of Australia & Ors*, [2012] HCA 23, 20 June 2012, <http://www.hcourt.gov.au/assets/publications/judgment-summaries/2012/hca23-2012-06-20.pdf> (accessed 2 April 2015).

99 The Hon Scott Morrison MP, Minister for Social Services, 'Department of Social Services Grant Funding Offers', 24 December 2014 <http://scottmorrison.dss.gov.au/media-releases/1> (accessed 24 March 2015).

100 The Hon Scott Morrison MP, Minister for Social Services, 'Morrison to fill critical front line service gaps in Social Service grants', 30 January 2015, <http://scottmorrison.dss.gov.au/media-releases/morrison-to-fill-critical-front-line-service-gaps-in-social-service-grants> (accessed 24 March 2015).

101 *Proof Committee Hansard*, 11 February 2015, p. 16.

Australia, Community Housing Federation of Australia and National Shelter. Even so, she went on to state:

In making decisions in this area, housing and homelessness, the legal implications are a consideration; they are not the only consideration. We are taking advice from AGS and AGD on this—Attorney-General's. They advise what heads of power exist for the Commonwealth and which do not, and the area of housing and homelessness, as you are probably aware, is very complex in this regard. So it is a consideration, but it is not the only consideration.

...

In some cases we are advised by Attorney-General's that there is no head of power for the Commonwealth to deliver housing and homelessness programs.¹⁰²

18.85 Another departmental officer, Mr Palmer, offered the following explanation:

I think it is better to think about Williams as a prioritisation factor when looking at programs in a budget-constrained environment and determining which programs should be contributing more or less to budget savings. It was in that context that Williams was an informing factor, not a determinative factor, if that makes sense.¹⁰³

18.86 The committee found the department's explanation of the Williams decision and its flow-on effects for the Commonwealth grants to housing and homelessness less than satisfactory.

Recommendation 33

18.87 The committee notes that the advice provided to the committee on the Williams decision and the consequences for Commonwealth funding for housing and homelessness simply adds to the uncertainty around the future of Commonwealth funding in this area. The committee recommends that the Australian Government clarify what the consequences are for Commonwealth funding grants for housing and homelessness that flow from the Williams decision and how it intends to respond to them.

102 *Proof Committee Hansard*, 11 February 2015, p. 17.

103 *Proof Committee Hansard*, 11 February 2015, p. 20.

Chapter 19

National Affordable Housing Agreement

19.1 In this chapter, the committee considers Commonwealth initiatives or programs that could contribute to, or are making, a material difference to improving people's access to affordable housing. The main focus, however, is on the National Affordable Housing Agreement (NAHA).

Background

19.2 NAHA is a broad-ranging, ongoing housing agreement which commits a significant amount of Commonwealth funding to the states and territories through a national specific purpose payment.¹ Commencing on 1 January 2009, NAHA replaced the Commonwealth State Housing Agreement and the Supported Accommodation Assistance Program.² Its aspirational objective is for:

...all Australians [to] have access to affordable, safe and sustainable housing that contributes to social and economic participation.³

19.3 This agreement provides the overarching framework within which the Commonwealth and states and territories work together to 'improve housing affordability and homelessness outcomes for Australians'.⁴ In relation to the provision of social housing, NAHA aims to promote affordable, secure housing via allocations policies and support to those with multiple forms of disadvantage.⁵ According to the Department of Social Services, the agreement 'identifies individual and shared roles for the Commonwealth and the states, as well as performance benchmarks and reform directions'.⁶

1 *Submission 198*, p. 27.

2 Productivity Commission, *Report on Government Services 2015: Housing and homelessness*, Volume G, produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.2, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf>

3 Council of Australian Governments, *National Affordable Housing Agreement*, p. 3, http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx (accessed 18 March 2015).

4 Ms Hand, Department of Social Services, *Proof Committee Hansard*, 30 July 2014, p. 2.

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 78, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 *Proof Committee Hansard*, 30 July 2014, p. 2.

19.4 National Partnership agreements (NPA) define the mutually agreed objectives, outcomes, outputs and performance benchmarks or milestones related to the delivery of specific projects, improvements in service delivery or reform. Of the NPAs that were established to support NAHA, two remain active:

- the National Partnership Agreement on Homelessness; and
- the National Partnership Agreement on Remote Indigenous Housing.

19.5 The agreements ensure that all levels of government are committed to the same framework of outcomes, measures of progress, and policy directions. In 2013–14, the Australian Government provided \$2.0 billion to state and territory governments for housing and homelessness services through NPAs in support of the NAHA.⁷ These agreements were considered in chapters on Indigenous Australians (chapter 17) and homelessness (chapter 18).

Criticism of NAHA

19.6 The Commonwealth contributes approximately \$1.3 billion each year to the states and territories through NAHA⁸ and, as noted in the previous chapter, \$115 million through the NPAH.⁹ Despite this substantial contribution to affordable housing, many submitters criticised several aspects of the agreement and identified areas where the implementation of the agreement could be improved.

Greater accountability and transparency

19.7 A number of submitters cited the need to improve the agreement's accountability and transparency. For example, Ms Phillips, Australian Council of Social Service, noted the paucity of data on the number of new dwellings that have been constructed as a result of the agreements.¹⁰ JELD-WEN, a leading supplier of windows and doors, stated:

There has been a gaping lack of information on program outcomes. The paucity of readily available information on the effectiveness of Commonwealth-funded State housing programs and initiatives has reduced transparency and diminished accountability and contributed to uncertainty about the value received from the commitment of scarce Commonwealth

7 Productivity Commission, *Report on Government Services 2015: Housing and homelessness*, Volume G, produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision, pp. G.5–6, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf>

8 *Portfolio Budget Statements 2014–15*, Budget Related Paper No. 1.5A, Social Services Portfolio, p. 129, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 18 March 2015).

9 *Submission 198*, p. 33 and *Proof Committee Hansard*, 30 July 2014, p. 2.

10 *Proof Committee Hansard*, 10 November 2014, p. 28.

taxpayer funds to joint housing programs delivered by State Governments.¹¹

19.8 The National Shelter added that accountability mechanisms around housing needed to include accurate and publicly available data on a number of matters. They involved the 'overall supply of social and affordable housing, including an accounting for new developments, acquisitions, disposals and transfers between parts of the social housing system'.¹²

19.9 Mr Flynn, Mission Australia, agreed that greater transparency would improve the system.¹³ The Council to Homeless Persons noted that NAHA moved to a single agreement that measured progress based on outcomes. In its view, not only have the outcomes defined in the agreement proved difficult to measure over the relevant funding periods, but this has led to reductions in many states' own revenue contributions to housing and homelessness assistance.¹⁴ Mr Myers, National Affordable Housing Consortium, compared the \$1.3 billion put into NAHA with the result of 'a declining stock base and a lack of transparency'.¹⁵ He explained:

The policy goals set out in NAHA are broad—but there are no mechanisms in there to see what investment is happening and what it is doing to the overall stock. Part of that investment could be competitive—across states, not-for-profits and partnerships with the private sector.¹⁶

19.10 The Western Australian Local Government Association referred to a 'strong need to evaluate the effectiveness of the policies as part of the renegotiation of the NAHA', including taking account of local government concerns.¹⁷

Tackling supply side

19.11 Most witnesses agreed with the view that there was 'definitely a supply problem' with affordable housing.¹⁸ Master Builders Australia (MBA) was of the view that NAHA was flawed in its design in that it focused on the symptoms of the problem and not the causes. In its view, NAHA should be designed to clear the roadblocks to improved housing affordability rather than provide government subsidies and other forms of assistance.¹⁹ Mr Leitch, Department of Housing and Public Works,

11 *Submission 54*, p. 4.

12 *Submission 78*, p. 20.

13 *Proof Committee Hansard*, 10 November 2014, p. 26.

14 *Submission 179*, p. 3.

15 *Proof Committee Hansard*, 10 September 2014, p. 53.

16 *Proof Committee Hansard*, 10 September 2014, p. 53.

17 *Submission 37*, p. 4.

18 Ms Hand and Mr Palmer, Department of Social Services, *Proof Committee Hansard*, 11 February 2015, p. 15.

19 *Submission 48*, p. 19.

Queensland, informed the committee that one of the things his department struggled with was that, while the last national affordable housing agreement spoke to broader affordable housing measures, there was 'nothing in there that actually puts the rubber on the road, so to speak'.²⁰

19.12 Mr Myers indicated that the National Affordable Housing Consortium would like to see the Commonwealth's activity focused on new supply and not necessarily on operational subsidies and to see a competitive arrangement for new supply.²¹ Dr Winter, AHURI, also explained that while the funds through NAHA were distributed on a per capita basis across the states, there was no incentive for spending those funds to generate new supply. He observed:

Effectively state governments are using those funds to maintain a falling percentage of public housing dwellings across the country. We need a National Affordable Housing Agreement that links that expenditure to the creation of net new supply of affordable dwellings in Australia.²²

19.13 From Dr Winter's perspective, the current federal financial agreements do not link funds with supply. He suggested that NAHA needed to reintroduce and retie matching of funds with the creation of new affordable houses and have some of the 'discipline of the old Commonwealth–State Housing Agreement'.²³

19.14 Mr Cant, Brisbane Housing Company Ltd, spoke of the latent equity in the current pool of public housing and the potential to use it to boost and renew the supply of affordable housing. He advocated strongly for maintaining and building on the current stock of social housing.²⁴ With this objective in mind, Mr Cant suggested that funding through NAHA be made conditional to ensure that the stock of social housing was protected and that there was reinvestment in this stock. He added:

If we have this model where 400,000 dwellings are going to be made fit for purpose over a 20-year period—they are going to be aligned to be the right size for the demographic, they are going to be new, they are going to be purpose-built and they are going to be in the right locations—that is where the money should be conditioned. Someone in Canberra would say, 'You can have the money provided you demonstrate to us that it is serving this purpose'.²⁵

19.15 Consistent with the overall thrust of evidence, Ms Croce, Community Housing Federation of Australia, argued that as part of a growth strategy, NAHA

20 *Proof Committee Hansard*, 10 September 2014, p. 45.

21 *Proof Committee Hansard*, 10 September 2014, p. 53.

22 *Proof Committee Hansard*, 9 September 2014, p. 20.

23 *Proof Committee Hansard*, 9 September 2014, p. 20.

24 *Proof Committee Hansard*, 10 September 2014, p. 64.

25 *Proof Committee Hansard*, 10 September 2014, p. 64.

should be reformed substantially in order to refocus the agreement 'on growing the supply of affordable housing'.²⁶

Adequacy of funds

19.16 Dr Milligan, City Futures Research Centre, referred to the forerunner to NAHA, the Commonwealth–State Housing Agreement. She noted that the money put into that agreement as capital was 'insufficient to retain continuing growth in that system'. In her view, instead of developing additional public housing, the money was used to underwrite the operating losses of the state housing authorities.²⁷ Dr Milligan explained that NAHA was an attempt to reset the agenda for the supply of affordable housing and to maintain and modernise existing public housing.²⁸ According to Dr Milligan, however, the funding base essentially remained the same, except with a small indexation factor, which did not address the fundamental deficit problem. Also, the requirements on the states to match funding and to provide certain levels of investment into new supply were dropped.²⁹ She argued:

...whoever delivers the housing has to be able to deliver it in a way where the revenue and the subsidy meet their costs, and a national government has an interest in ensuring that there is an adequate level of public housing or social housing or community housing commensurate with measured needs.³⁰

19.17 Mr Leitch, Queensland Department of Housing and Public Works, also noted that the agreement was an aspirational goal. Further, the funding stream that sat within NAHA was 'similar to that that came through the Commonwealth–State Housing Agreement before it'.³¹

19.18 Despite this criticism about the lack of accountability and transparency; the need to focus on boosting the supply of affordable housing; and the inadequacy of funding, no one suggested that NAHA should be abandoned. For example, the Youth Affairs Council of Western Australia noted that schemes such as NAHA must be continued and developed to ensure that young people do not experience high levels of housing stress, which may have detrimental effects on their future.³² While critical, many witnesses offered advice on ways to improve NAHA.

26 *Proof Committee Hansard*, 10 November 2014, p. 10.

27 *Proof Committee Hansard*, 10 November 2014, p. 38.

28 Dr Milligan was involved in policy negotiations for many years around the Commonwealth State Housing Agreement, which preceded the National Affordable Housing Agreement. *Proof Committee Hansard*, 10 November 2014, pp 37–38.

29 *Proof Committee Hansard*, 10 November 2014, p. 38.

30 *Proof Committee Hansard*, 10 November 2014, p. 38.

31 *Proof Committee Hansard*, 10 September 2014, p. 45.

32 *Submission 166*, p. [2].

Areas for improvement

19.19 In particular, some witnesses saw the need for the government not only to articulate the purpose of NAHA clearly and definitely—to increase the supply of affordable housing—but to ensure that funding was tied to this objective. Further, the reporting mechanism around the funding should be more robust and transparent, producing accurate and reliable data on how money was being spent and the results—number of new dwellings, acquisitions, dispatches, developments and transfers.

19.20 The committee has discussed the value that would flow to community housing providers with the transfer of public housing stock including title to that sector. In its submission, Shelter WA suggested that through NAHA, the Commonwealth and states and territories reaffirm their commitment to transfer a substantial proportion of social housing stock to community housing organisations to facilitate growth. This undertaking would include title transfer to ensure properties could be used to leverage investment in new housing, within the context of a clear overall growth strategy for the social housing sector.³³ Dr Clark referred to NAHA and the national partnership agreements that sit beneath it. She accepted that there was a lack of accountability: no real template or outcomes that required performance reporting. In her view, however:

...the new federal government are in an ideal position to insist on the outcomes and the type of reporting they would like to see and to show this leadership, not just withdrawing millions of dollars of funding to the states but to insist that the money does not just go to admin fees for large departments and contract managers and that it is seen as an investment in this area to save money later.³⁴

19.21 Ms Palumbo suggested that NAHA provided the Australian Government with the best lever for reform. She explained:

When the Commonwealth drives reform, things happen; when it is left to the states, our experience has been that things meander. So a really driven reform that is actually attached to that agreement is probably the most effective way we can look at genuine change, where that agreement says that we actually want to have a mixed model, we want a multi-provider system, we want to see different business models operating in this state, not an old and tried monolithic model that means that nobody can really do anything other than on the fringes.³⁵

19.22 National Shelter recommended that COAG embed NAHA as a permanent part of its decision-making and expand it to include all forms of housing assistance. Its coverage would include 'funding for social housing, funding for affordable rental

33 *Submission 174*, p. 18.

34 *Proof Committee Hansard*, 28 July 2014, p. 40.

35 *Proof Committee Hansard*, 28 July 2014, p. 40.

housing, rent assistance, programs to support home ownership and homelessness programs'.³⁶

19.23 The Community Housing Federation of Australia advocated the establishment of an affordable housing growth fund that would ensure the states and territories receive money on a per capita basis but would have to meet specific targets.³⁷ The Council to Homeless Persons stated its belief that the NAHA needed to be split into three funding streams—an operating stream (funded on a per dwelling basis), a capital stream and a homelessness support stream (both funded on a per capita basis).³⁸

Certainty of funding

19.24 As noted earlier, many submitters referred to the uncertainty surrounding funding arrangements for affordable housing and homelessness. Some spoke of a 'stop and go' approach to housing policy. According to Mr Leitch, it was an imperative to get clarity about how the funding for the next year was going to be treated in terms of how the Queensland Department of Housing and Public Works would respond.³⁹ Mr Comrie noted that the community housing sector was becoming increasingly apprehensive about talk of the possible withdrawal of funding for NAHA and NPAH.⁴⁰

Government's response

19.25 The Commonwealth Government has expressed interest in examining ways to improve the operation of NAHA to ensure greater transparency and accountability as well as having incentives that would increase the supply of dwellings.⁴¹ In February 2015, Ms Hand told the committee that for some time the government had been grappling with NAHA and the lack of real metrics or performance measures to assess whether supply was 'actually increasing in terms of the funding that is going to the states to deliver houses'. She explained:

The former minister, Minister Andrews, was very keen to see some reform to that agreement to make it much more transparent and accountable, and to have performance metrics to try to influence and see some progress in the area of supply. As I said, there is \$6.5 billion from the Commonwealth and that does not count what the states and territories put in that goes to the issue of solving housing supply and affordability. Yet, as you just said, it is still a big issue. The department has definitely looked at this with the

36 *Submission 78*, p. 27.

37 Ms Croce, *Proof Committee Hansard*, 10 November 2014, p. 10.

38 *Submission 197*, p. 5.

39 *Proof Committee Hansard*, 10 September 2014, p. 49.

40 *Proof Committee Hansard*, 11 November 2014, p. 48. Also refer to paragraphs 15.64–15.66, 17.30–17.31, 18.61–18.71 and 22.40 of this report.

41 *Submission 198*, p. 33.

current government as to how we increase the accountability mechanisms to actually deliver these houses.⁴²

19.26 The Department of Social Services informed the committee that the Commonwealth was committed to working with all state and territory governments to achieve better results.⁴³

Conclusion

19.27 The criticism levelled at NAHA during the inquiry was designed to be constructive and to offer suggestions on how this agreement could be more effective especially in adding to the supply of affordable housing. There was concern about the lack of sound data, the difficulty in measuring outcomes and poor reporting and evaluation processes.

19.28 Clearly there is a need to restore and build people's confidence in NAHA and provide assurance that the money being spent on affordable housing is making a difference as intended. In addition, accountability should be strengthened so that outcomes can be linked back directly to the funding dedicated to that purpose and can be measured and evaluated. With this in mind, the committee makes the following recommendation.

Recommendation 34

19.29 The committee recommends that through COAG, NAHA be reinvigorated with particular emphasis on improving accountability and transparency. The committee recommends that the following particular reforms of NAHA should be considered and acted upon:

- **expand the agreement to include all forms of housing assistance—funding for social housing, affordable rental housing, rent assistance and the various programs to support people to remain housed;**
- **develop measurable benchmarks and ensure these benchmarks are used to evaluate the effectiveness of government expenditure on affordable housing;**
- **improve the collection and publication of data, especially on the number of new homes added to the pool of social housing; and**
- **ensure that funding is tied directly to concrete outcomes, for example, by tightening conditions on Commonwealth funding to the states that would realise growth in the stock of social housing.**

42 *Proof Committee Hansard*, 11 February 2015, p. 15.

43 *Submission 198*, p. 31.

19.30 Furthermore, the committee understands the area of housing and homelessness is to be considered as part of the broader Federation White Paper process and consequently makes the following recommendation.

Recommendation 35

19.31 The committee recommends that the Federation White Paper process consider carefully NAHA in this critical area of transparency and accountability. Importantly, that the committee's findings feed into the White Paper process with the aim to improve NAHA so that a robust evaluation and reporting framework is established ensuring that the funds allocated to improving affordable housing can be tracked and the intended outcomes measured and evaluated.

Chapter 20

National Rental Affordability Scheme (NRAS)

20.1 The National Rental Affordability Scheme (NRAS) is a partnership between the Australian Government and the states and territories to invest in affordable rental housing. It is a \$6.0 billion initiative intended to stimulate the supply of affordable rental homes across Australia.¹ In this chapter, the committee examines NRAS and its implementation.

NRAS objectives

20.2 NRAS aims to:

- increase the supply of new affordable rental housing;
- reduce rental costs for low and moderate income households; and
- encourage large-scale investment and innovative delivery of affordable housing.²

20.3 From its commencement in 2008, the scheme sought to address the shortage of affordable rental housing. It was designed to bring forward additional housing supply by offering annual financial incentives to private investors and community organisations to build and rent homes to low and moderate income households at a rate that was at least 20 per cent below market rates.³

20.4 It should be noted that some community housing providers rent out their properties at an even more generous rate. For example, Ms Croce noted that members of the Community Housing Federation of Australia did not go above 74.9 per cent of market rates—which was linked to tax concessions and to maintaining charitable status.⁴ According to the Community Housing Council of South Australia, this reduced rent meant that tenants were less likely to experience housing stress. Professor Beer noted that NRAS in some ways tried to emulate the German financing model by giving tax breaks and tax subsidies to support and underpin long-term tenancies.⁵

1 Department of Social Services, *Submission 198*, p. 31.

2 *Portfolio Budget Statements 2014–15*, Budget Related Paper No. 1.5A, Social Services Portfolio, p. 133, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 18 March 2015).

3 *Submission 198*, p. 31 and Mr Somerville, *Proof Committee Hansard*, 10 September 2014, p. 57.

4 *Proof Committee Hansard*, 10 November 2014, p. 15.

5 *Proof Committee Hansard*, 28 July 2014, p. 17.

Incentives

20.5 The annual incentives available to NRAS providers last for ten years, are indexed annually for the rental component of the Consumer Price Index (CPI) and comprise two parts. The incentive values for 2014–2015 were:

- a Commonwealth Government incentive of \$7,996 per dwelling per year as a refundable tax offset or payment; and
- a state or territory contribution of \$2,665.⁶

The total amount came to \$10,661.

20.6 When announced, the original proposal was for an initial round of 50,000 incentives. If the scheme proved successful and investors came on board, another 50,000 incentives were to be considered.⁷ Mr Pisarski, National Shelter, argued that in order to get institutional investment on board, that scale of program was needed to create the momentum to attract institutions.⁸

20.7 Mr Pisarski, who was involved in the design of NRAS when it was first under consideration, proposed NRAS as a national rental affordability incentive rather than as a scheme. He observed that:

...as soon as you call something a scheme, people expect it to do far more than it was perhaps ever designed to do. We called it an incentive deliberately because it was supposed to be used in conjunction with other things in our minds. It was not a stand-alone thing that was going to fix this problem.⁹

20.8 According to Mr Pisarski, NRAS was implemented differently from the initial recommendations. He explained that the summit group's implementation proposal intended the scheme to be applied 'more at scale in a portfolio approach so that it worked with other things'.¹⁰ He stated:

We always thought that it would take at least six years to generate institutional investment and that, in the first place, it would still follow a pattern of mum and dad investors being the ones to invest, until we could create the vehicles and sorts of banking processes that might agglomerate

6 Department of Social Services, National Rental Affordability Scheme (NRAS), NRAS Incentive (indexation) https://www.dss.gov.au/sites/default/files/documents/04_2014/nras_incentive_indexation_factsheet_-_dss_template_-_indexation_update_april_2014_2.pdf (accessed 23 February 2015) and Realestate, 'What is NRAS: the National Rental Affordability Scheme', <http://www.realestate.com.au/blog/what-is-the-national-rental-affordability-scheme/> (accessed 23 February 2015).

7 *Proof Committee Hansard*, 10 September 2014, p. 39.

8 *Proof Committee Hansard*, 10 September 2014, p. 39.

9 *Proof Committee Hansard*, 10 September 2014, p. 38.

10 *Proof Committee Hansard*, 10 September 2014, p. 38.

some of that smaller investment into larger investments to really drive it more as an institutional investment vehicle.¹¹

20.9 The summit group involved in the early discussion on the design of NRAS was of the view that the government's targets should have been more modest: that they were too ambitious. Even so, Mr Pisarski explained that NRAS had exceeded the estimates that the summit group thought it would reach.¹²

Support for NRAS

20.10 A diverse range of organisations and individuals supported NRAS including community housing providers, researchers, academics, think tanks, state representatives and organisations advocating for groups with particular housing needs such as older Australians, those with disability and women experiencing domestic violence.¹³

20.11 When explaining their reasons for endorsing the scheme, many witnesses highlighted the scheme's achievements and the many examples of where it had worked well.¹⁴ The Urban Development Institute of Australia (UDIA) was among the numerous organisations that recognised NRAS' achievements in boosting the supply of affordable housing. From the UDIA's perspective, NRAS had been successful in providing tens of thousands of homes affordable to those on low incomes.¹⁵ Likewise, COTA noted that NRAS had made 'a very useful contribution to increasing the supply of affordable housing, particularly in locations close to services'.¹⁶ In its submission, Regional Development Australia, Gold Coast supported NRAS' continued rollout.¹⁷

20.12 Mr Schrapel, Uniting Communities, thought that by and large NRAS had produced a very good result. He understood that, even though some cases indicated that the scheme may not have been targeted as well as originally intended, it had brought a lot of new properties into the market that would not otherwise have been there for lower income households.¹⁸ Ms Croce, Community Housing Federation of Australia, described the scheme as:

11 *Proof Committee Hansard*, 10 September 2014, p. 38.

12 *Proof Committee Hansard*, 10 September 2014, p. 38.

13 There are too many submitters that supported the continuation of NRAS to list here but see for example, City of Perth, *Submission 43*, pp. 1–2; National Shelter, *Submission 78*, pp. 12–13; Tenants Union of Victoria, *Submission 119*, pp. 9–10; Shelter WA, *Submission 174*, p. 2.

14 Mr Flynn, Mission Australia, *Committee Hansard*, 10 November 2014, p. 26.

15 *Submission 190*, p. 14. See also Grace Mutual Limited, *Submission 1*; Neumann and Turnour Lawyers, *Submission 20*, p. 3.

16 *Submission 191*, p. 4.

17 *Submission 74*, p. 45.

18 *Proof Committee Hansard*, 28 July 2014, p. 36.

...a significant driver in the supply of affordable housing to people who do not qualify for public housing or who are not going to get in because they are too low on the waiting list but who are struggling to pay high rents in the private rental market.¹⁹

20.13 Likewise, the City Futures Research Centre acknowledged NRAS as:

...the most significant local policy innovation so far, generating as it has considerable investor demand and a momentum for a new public private co-financed model of affordable rental supply.²⁰

20.14 The Tenants Union of Victoria held the view that NRAS was one of the important supply side interventions that made a positive difference. In other words, NRAS addressed the allocation problem and dealt with affordability.²¹ Ms Young stated that NRAS had been very successful as a tool in a number of areas:

For a start it did deliver a housing construction industry where there was none. It did stimulate the economy. It did save a number of developers. It did increase housing supply in a period in which there was a huge downturn at that time. It was very successful just for that alone—it gave people jobs in construction. It did increase the supply of housing. What are we up to—35,000 or something approvals right now? That is housing that probably would never have been delivered without that program. And there are people who are very grateful for the opportunity to be able to rent a home, have a home, at 75 per cent of market rent, where they would not have been able to afford one otherwise. Hopefully those people are also saving to buy their own homes, because that is the outcome that we also wanted out of that. I think it was very successful.²²

20.15 Ms Palumbo argued that NRAS was a desperately-needed subsidy to provide social housing. It provided innovative ways for the community housing sector to form partnerships and to achieve genuine results that added value to the government's investment.²³ As chair of the Community Housing Council of South Australia, Ms Palumbo gave the example of a building that was close to completion:

That building cost \$15 million, with 52 apartments. The government's contribution was 60 per cent, and Common Ground's contribution has been 40 per cent. So, of the 52 apartments, 20 of those have come from private funding. Fifteen of those are because of NRAS—with NRAS, we have been able to finance 15 of those units—and five of them have come from the corporate sector. So there are an extra 20 units going to homeless people that have come purely from NRAS and corporate support, which then adds value to the government's additional investment of 60 per cent of that

19 *Proof Committee Hansard*, 10 November 2014, p. 10.

20 *Submission 152*, p. 9.

21 *Proof Committee Hansard*, 9 September 2014, p. 43.

22 *Proof Committee Hansard*, 10 September 2014, p. 31.

23 *Proof Committee Hansard*, 28 July 2014, p. 39.

building. That is a simple example of bringing together as many incentives as you can, to be innovative about products to meet demand.²⁴

20.16 She noted, however, that NRAS should not replace government investment in affordable housing, which would always be needed.²⁵

20.17 Mr Myers, National Affordable Housing Consortium, told the committee that NRAS had delivered 2,800 dwellings in Queensland in the last five years, all with private investment and well above the average of delivery on a per capita basis. He explained:

We borrow other people's capital and make the affordable housing equation work...I can tell you right now that, because we operate under that system, 26 per cent of people in NRAS housing in our portfolio are on a disability support pension...A third of those people were also on the public housing waiting list. So we can demonstrate that this is the gap in the market that we keep saying needs much more sophisticated filling so that people can move into products that are more suited to their income and household needs.²⁶

20.18 The committee has referred to the Penny Lane Key Worker housing apartments. The City of Perth noted that the viability of its investment in this development 'was underpinned by the receipt of NRAS funding'.²⁷

Delivering diversity of housing

20.19 NRAS has been able to support the building of affordable housing for a range of Australians from essential service workers on low to moderate incomes to people on a pension. Dr Burgmann, NSW Federation of Housing Associations, stated that New South Wales had a lot of the NRAS projects approved for community housing and included a small amount of capital funding from the state government as well:

So it was part of a package that [was] allowed to deliver social housing as well as affordable housing, and perhaps some for sale. Curiously, though, the NRAS part is what allows there to be some housing developed for the very low income. The projects that are entirely around key workers or perhaps a mix of properties for sale and some retained for affordable housing are the ones that might still be able to attract direct private investment with some of the larger community housing providers in the absence of NRAS.²⁸

24 *Proof Committee Hansard*, 28 July 2014, p. 39.

25 *Proof Committee Hansard*, 28 July 2014, p. 39.

26 *Proof Committee Hansard*, 10 September 2014, p. 54.

27 *Submission 43*, pp. 1–2.

28 *Proof Committee Hansard*, 10 November 2014, p. 14.

20.20 Dr Burgmann argued that NRAS allowed the housing industry to meet that broader suite of needs.²⁹ Along similar lines, the Community Housing Council of South Australia noted that community housing providers had 'used the NRAS to develop mixed models of housing that promote social inclusion and community benefit'.³⁰

Facility for tenants to improve

20.21 The committee has discussed how people occupying social housing are discouraged from gaining employment or working extra hours in case they lose their eligibility for such housing and are forced into the more expensive and less secure private rental market. Ms Croce explained that if a tenant in one of their community houses remained above the income threshold for a period of time then they were required to vacate. She explained that community housing providers try to find such tenants another property within their portfolio, so they are not totally being moved out of the community-housing organisation. Thus, because of the diversity of housing provided through NRAS, this scheme offered the potential to encourage mobility from social housing to affordable private rental properties, even home ownership. Ms Croce elaborated:

The idea at the beginning of NRAS was that we would have a big enough portfolio so that when somebody became income ineligible you could move the incentive to another location for somebody who was eligible, so the person would not have to leave their property.³¹

20.22 Ms Croce acknowledged that this broad objective had not eventuated because the industry had not had the time to accumulate that kind of stock or have the flexibility, in the way it was administered, to do that.³² In this regard, it should be noted, as Ms Coleman observed, that it was:

...pretty rough to critique something which went out into the market on the assumption of attracting private investment right at the time that the private investment market pretty much collapsed with the global financial crisis.³³

20.23 Mr Somerville, NRAS Providers Ltd, also drew attention to the fact that the scheme was introduced in the middle of the Global Financial Crisis (GFC) at a time when the banks were very hesitant and valuers were very negative. In his view:

It took some time to overcome that inertia. Certainly, there has been criticism of the design and the management of the scheme, but the actual

29 *Proof Committee Hansard*, 10 November 2014, p. 14.

30 *Submission 99*, p. 1.

31 *Proof Committee Hansard*, 10 November 2014, p. 15.

32 *Proof Committee Hansard*, 10 November 2014, p. 15.

33 *Proof Committee Hansard*, 30 July 2014, p. 57. See also Ms Milne, *Proof Committee Hansard*, 10 September 2014, p. 21.

delivery of over 20,000—at the last published records, and we are guessing in the high 20,000s now—we believe is successful.³⁴

20.24 He concluded that 'the tenancy demographics from that are very, very strong, straight out of the textbook'.³⁵

Building partnerships and attracting private investment

20.25 The Community Housing Federation of Australia suggested that one of the benefits of NRAS had been the partnerships it had facilitated across the not-for-profit, for-profit, development, and financial sectors.³⁶ Ms Croce from the Federation noted that many NRAS projects were joint ventures with different developers and mixed tenure. She stated that they were able to build sustainable communities with some private sales, some NRAS and some social housing.³⁷ According to Ms Croce, NRAS brought direct private investment into the affordable housing arena and significantly increased the community housing providers' engagement with financial institutions—it brought them into the arena. In her words, financial institutions saw 'our capacity to be able to manage and build affordable housing'.³⁸

20.26 Mr Somerville, who represented NRAS providers, indicated that they were all very much aware of the highly publicised failings of the NRAS scheme. As an association they were very strong supporters of the scheme, convinced that, as a supply stimulus, NRAS had been 'incredibly effective':

It has created a mechanism which has enabled a combination of private equity, the private sector, community-housing providers and the government to work in collaboration. We believe that the delivery of NRAS under that [model] was successful, given that it had a substantial amount of inertia to overcome in its initial stages.³⁹

20.27 At a regional level, Ms Kerrie Young, a non-executive director of Horizon Housing, also spoke of the effective partnerships that developed between community housing providers and developers. She cited the comments contained in a report based on stakeholder consultation and feedback indicating that two-thirds of the respondents felt that the supply of affordable housing on the Gold Coast was improving due to the work of the not-for-profit groups and NRAS. Giving evidence in Brisbane, she explained:

The increase in supply of affordable housing on the Gold Coast was actually promoted by the non-for-profit groups, particularly Horizon

34 *Proof Committee Hansard*, 10 September 2014, p. 52.

35 *Proof Committee Hansard*, 10 September 2014, p. 52.

36 *Submission 171*, pp. 2, 5–7 and 14.

37 *Proof Committee Hansard*, 10 November 2014, p. 14.

38 *Proof Committee Hansard*, 10 November 2014, p. 10.

39 *Proof Committee Hansard*, 10 September 2014, p. 52.

Housing, which is located on the Gold Coast. They made sure that they partnered with private developers while that stock was being delivered, and they got approvals on behalf of developers. So the awareness down there I think was probably quite good, given that the partnerships that were created by the not-for-profit community housing organisations. Also the Gold Coast City Council is a shareholder of Horizon Housing, so they were partners also.⁴⁰

20.28 Ms Young observed that Horizon Housing was a very early adopter of NRAS in Queensland, with over 200 approvals during the early rounds which increased to 1,400 approvals being managed by the organisation. She noted that 'a lot of people who were on unemployment benefits and disability pensions were occupying the NRAS housing'.⁴¹

NRAS and the states

20.29 Ms Young noted that while NRAS was a federal government overarching structure, each state was responsible for administering the scheme in its jurisdiction and as a consequence, each state had a different experience.⁴² As an example, Queensland supported and adopted the scheme 'very strongly at the outset'.⁴³

Queensland

20.30 According to representatives from the Queensland Department of Housing and Public Works, NRAS had been 'particularly successful and well targeted' in that state.⁴⁴ Mr Somerville, NRAS Providers Ltd, agreed with this assessment. In his view, the Queensland Government had a much higher level of control, with far more rigid requirements through the application and management processes. Mr Somerville noted that the state government also embraced the scheme and contrasted Queensland's keen acceptance of it with the more tentative approach taken by some other states.⁴⁵ He explained that a number of the other states said, 'Let's just see how it goes and then test it out'.⁴⁶ According to Mr Somerville:

South Australia, for example, said, 'We're limited with the amount of money we've got so we'll only take seven per cent.' I think Western Australia said, 'We're 10 per cent of the population so we'll take 10 per cent.' Victoria said, 'We're not sure.' They held back in some of the earlier

40 *Proof Committee Hansard*, 10 September 2014, p. 31.

41 *Proof Committee Hansard*, 10 September 2014, pp. 28–29.

42 *Proof Committee Hansard*, 10 September 2014, p. 29.

43 Mr David Somerville, *Proof Committee Hansard*, 10 September 2014, p. 54.

44 *Proof Committee Hansard*, 10 September 2014, p. 42.

45 *Proof Committee Hansard*, 10 September 2014, p. 54.

46 *Proof Committee Hansard*, 10 September 2014, p. 54.

rounds. They did not participate in the shovel-ready at all. Queensland said, 'We'll take all the surplus.'⁴⁷

20.31 In summary, Mr Somerville noted:

When the floods [in Queensland] occurred they [Queensland Government] said, 'We'll have another 5,000 NRAS.' So they had the additional numbers, the additional resources, and it was much more tightly managed.⁴⁸

20.32 Mr Walker, Department of Housing and Public Works, Queensland, was of the view that NRAS in Queensland had been particularly successful and well targeted. He informed the committee that:

As at the end of August 2014, Queensland had 10,503 approved NRAS incentives and had delivered 8,483 NRAS dwellings. Some 10,180 households have benefited from NRAS tenancy since commencing in 2008 and of these over 76 per cent were on incomes of less than \$50,000 per annum and 37 per cent earned less than \$30,000 per annum. Twenty-eight per cent of those NRAS clients had been listed on the housing register here in Queensland for social housing, with over 50 per cent with high or very high housing need.⁴⁹

20.33 According to Mr Walker, as well as income limits set by the Australian Government, Queensland established additional eligibility criteria for NRAS tenants to ensure the new supply of affordable housing was well targeted. In Queensland, NRAS tenants must meet residency requirements, not own residential property and be under liquid asset limits. Queensland has a single register of applicants for NRAS properties and fair and accessible processes for eligible households to register as prospective NRAS tenants. Furthermore, Mr Walker explained that most applications were submitted through efficient online forms; and its NRAS tenancy management had the flexibility to determine which applicant was offered an NRAS property.⁵⁰

20.34 Mr Walker stated that, as a result of these additional measures, Queensland avoided situations that were occurring in some other jurisdictions where taxpayer subsidised NRAS properties were being occupied by international students.⁵¹

South Australia

20.35 The Community Housing Council of South Australia stated that in South Australia, the NRAS program had meant 'significant growth in both affordable and

47 *Proof Committee Hansard*, 10 September 2014, p. 55.

48 *Proof Committee Hansard*, 10 September 2014, p. 54.

49 *Proof Committee Hansard*, 10 September 2014, p. 42.

50 *Proof Committee Hansard*, 10 September 2014, p. 42.

51 *Proof Committee Hansard*, 10 September 2014, p. 42.

high needs dwellings, which would not have been possible without the NRAS subsidy'.⁵²

20.36 Despite the strong support for NRAS, a number of witnesses drew attention to weaknesses that have undermined its performance.

Efficiency in delivery

20.37 According to NRAS Providers Ltd, both the government and providers acknowledged there was room to improve efficiency in delivering NRAS dwellings. It referred to the need for better alignment of government assessment and market delivery.⁵³ JELD-WEN indicated that some NRAS incentives had been allocated to tenderers that did not have sites for the commencement of rental housing. In its view, it was implausible that NRAS incentives could be approved without tenderers submitting proposed developments on actual sites.⁵⁴

20.38 The Central Highlands Local Area Service Network maintained that the challenge for NRAS was to ensure that proper controls were instigated and monitored according to the scheme's intended purpose. Reflecting on the implementation of the scheme, the Network suggested that strict eligibility should have been implemented when assessing the proposed tenants for NRAS housing.⁵⁵ It suggested that had NRAS kept to its intended purpose the scheme could have delivered much needed affordable housing.⁵⁶

Accountability

20.39 Ms Findlater Smith, National Council of Women of Australia, referred to the apparent lack of accountability, where in some cases little was known about what the NRAS money was actually being spent on. She questioned the accountability of schemes where:

...the Commonwealth hands over the money and does not say, as with any good governance, 'What have you done with it? Show us where you spent it and we'll see if it is worthwhile giving you the next lot.'⁵⁷

20.40 JELD-WEN also criticised NRAS for poor accountability. It referred to 'a glaring need for a report card on the cost-effectiveness of and outcomes achieved from Commonwealth housing and related expenditure', including NRAS and NAHA.⁵⁸

52 *Submission 99*, p. 1.

53 *Submission 31*, p. 7.

54 *Submission 54*, pp. 4–5.

55 *Submission 55*, p. 1.

56 *Submission 55*, p. 1.

57 *Proof Committee Hansard*, 30 July 2014, p. 57.

58 *Submission 54*, p. 4.

Ms Young agreed that more accountability was required—having someone with development experience actually monitoring what is going on with the development projects.⁵⁹ In Mr Cant's view, grants, such as NRAS, must be made conditional on new supply.⁶⁰

Bureaucracy

20.41 The Property Council of Australia made a number of observations about NRAS including that some participants had been concerned about repetitious and costly tendering processes in rounds 1–3. It noted further that applications for new developments were often delayed by unnecessary bureaucracy, undermining Australia's competitiveness and impeding housing affordability. Other issues identified by the Property Council were concerned with there being no formalised timeframes for tendering rounds and no set approval timeframes.⁶¹

20.42 Ms Young, who personally put some NRAS proposals together on behalf of developers and community organisations, also referred to the red tape involved. Indeed, she found 'masses of paperwork' to complete.⁶² Grace Mutual Limited referred to delays in processing applications and unclear, complex and poorly drafted regulations and law that 'hurt the program'.⁶³

20.43 From the Queensland government's perspective, Mr Walker pointed to the need for 'greater role clarity of funding and administrative simplicity between state and Commonwealth governments, particularly around housing assistance'. He also argued for better targeting, equity and subsidies received by low- to-middle-income earners to improve access to affordable housing.⁶⁴

20.44 Anglicare WA indicated that NRAS remained overly complex and program requirements created barriers to access for vulnerable people.⁶⁵

Effective targeting

20.45 In its submission, the Property Council stated that the fundamental problem with a single national NRAS incentive was that it applied a 'one-size-fits-all' approach across national property markets and building types. It argued that policy goals such

59 *Proof Committee Hansard*, 10 September 2014, p. 30.

60 *Proof Committee Hansard*, 10 September 2014, p. 61.

61 *Submission 212*, pp. 5, 8.

62 *Proof Committee Hansard*, 10 September 2014, p. 30.

63 *Submission 1*, p. 1.

64 *Proof Committee Hansard*, 10 September 2014, p. 43.

65 *Submission 161*, p. 9.

as increasing affordable housing in specific locales or supplying more apartments were made more difficult because of this model.⁶⁶

20.46 The Women's Housing Company suggested that the government could maximise the benefits of NRAS for disadvantaged Australians with better targeting of the program. It stated:

Greater consideration should be given to the geographic location of the NRAS incentives granted to ensure those regions with the poorest housing affordability and suitability for disadvantaged groups receive more incentives. For example, in Western Sydney it is very difficult to rent appropriate housing for single women as the housing stock is predominantly 3-bedroom.⁶⁷

20.47 Mr O'Brien, Tenants Union of Victoria, also wanted to emphasise the importance of the allocation process of housing supply. He argued there was a spatial dimension to the problem with NRAS in that there was a need to find ways to inject affordable supply into less affordable markets. He explained that one of NRAS' shortcomings stemmed from it being geared around market rents—80 per cent of the market rent. In his view, this approach was less useful in high-value suburbs:

If you want to deliver affordable rents in high-value suburbs, you need a deeper subsidy, so you probably need a different kind of supply model to have affordable rents in those better amenity suburbs.⁶⁸

20.48 Mrs Julie Morris, National Council of Women of Australia, suggested that if the Commonwealth were going to tie NRAS to dollars and outcomes, the scheme needed to be targeted geographically to where constituents who need affordable housing are located, particularly in cities. This specific targeting would mean, for example, that older members of the community living close to the city would not have to disrupt their lives to move out to suburbs on the fringes.⁶⁹ In her view, the Commonwealth should be setting such targets.⁷⁰

Rural areas

20.49 Professor Fiona Haslam McKenzie, Curtin University, noted that NRAS did not have 'a substantial profile in rural, regional and remote areas of Western Australia' and more generally had only a marginal effect on affordable housing in those communities.⁷¹ Noting that the scheme was 'premised on a level of demand and therefore scale derived from economic efficiency', she indicated that some small,

66 *Submission 212*, p. 5.

67 *Submission 52*, p. 3.

68 *Proof Committee Hansard*, 9 September 2014, p. 44.

69 *Proof Committee Hansard*, 30 July 2014, p. 57.

70 *Proof Committee Hansard*, 30 July 2014, p. 57.

71 *Submission 41*, p. 6.

remote communities could never achieve the required degree of scale to ensure viability at the local level.⁷²

20.50 In Professor Haslam McKenzie's view, if programs such as NAHA and NRAS were to have any bearing in rural, regional and remote communities, the structure of programs would have to change significantly. She suggested that local agencies do not have the capacity to coordinate or manage the processes for these schemes.⁷³

Attracting investment

20.51 In their submission, Dr Julie Lawson and Professor Mike Berry recognised that while NRAS was a very important new tool for attracting investment, it was yet to generate 'suitable levels of interest from long-term institutional investors in the wake of the GFC and ongoing uncertainty of policy support'.⁷⁴

20.52 Mr Kerry Doss noted the Brisbane City Council's struggle to get take-up of NRAS schemes. He explained that generally developers or other potential partners were more interested in the ability to achieve better profit margins, which outstripped the incentive the Council was able to offer. According to Mr Doss, there were other disincentives:

We were putting in place a rental guarantee system, and I know that, to get finance for those projects, there were limits on the periods for which those rental guarantees could operate, and they had to be kept under 10 years; otherwise, the banks did not really want to provide finance to those sites. The other thing was that to go and monitor that those units had been let at the required rate below market value was difficult—and the ongoing monitoring of that.⁷⁵

20.53 Ms Young referred to the development industry not understanding what was involved with NRAS, so, in her view, better education was needed. She noted that the federal government's tax incentive and the cash payment from the state were acceptable to the private investors who bought those homes and put them into the scheme.⁷⁶

Specific concerns—international students and trading incentives

20.54 Aside from the criticism relating to accountability, red tape, better targeting and flexibility with a one-size-fits-all approach, some witnesses were concerned about two specific matters—NRAS funding accommodation for students from overseas and

72 *Submission 41*, pp. 6–7.

73 *Submission 41*, pp. 6–7.

74 *Submission 24*, p. 9.

75 *Proof Committee Hansard*, 10 September 2014, p. 6.

76 *Proof Committee Hansard*, 10 September 2014, p. 29.

the trading of incentives. Indeed, the Department of Social Services cited these as two particular areas where the implementation of NRAS had given rise for concern.⁷⁷

University students—international students

20.55 The Tenants Union of Victoria noted that NRAS had played an important role in bringing private finance to increase the amount of affordable housing in Australia. But it also referred to recent negative media coverage reporting allegations that NRAS had been 'rorted to provide accommodation for wealthy international students, and that foreign investors, brokers and small time investors' were exploiting NRAS tax breaks.⁷⁸

20.56 In this regard, Ms Hand, Department of Social Services, informed the committee that on average in the past year, 58 per cent of student accommodation allocated under NRAS went to foreign students.⁷⁹ She stated that the department was trying to ensure that, where relevant, preference would be given to 'Australian students in need, particularly those from low- to moderate-income families'.⁸⁰ Her colleague, Mr Bryan Palmer, understood that international students occupied a high percentage of Monash University's NRAS accommodation.⁸¹

20.57 According to Ms Hand, at the time of the scheme's design there was no specific discussion or wording in the legislation around foreign students.⁸² Clarifying this statement further, she explained that the current legislation and regulations did not preclude students from overseas. She suggested that a review of NRAS would be looking at ways to tighten up this area of the scheme as part of its aim to enhance NRAS.⁸³

20.58 Mr Somerville stated quite clearly that he and all the members of NRAS Providers were 'pretty devastated when the universities got entitlements because it just seemed to be counter to the intention of the scheme'.⁸⁴ Mr Liam Foley, Urban Development Institute of Australia, conceded that the allocation of NRAS to housing overseas students was an example of where the scheme had not operated to its best but was not 'representative of the scheme in its entirety'.⁸⁵

77 *Proof Committee Hansard*, 30 July 2014, p. 3.

78 *Submission 119*, p. 10.

79 *Proof Committee Hansard*, 30 July 2014, p. 4.

80 *Proof Committee Hansard*, 30 July 2014, p. 4.

81 *Proof Committee Hansard*, 30 July 2014, pp. 5, 6–7. See also Mr Liam Foley, Urban Development Institute of Australia (National), *Proof Committee Hansard*, 30 July 2014, p. 69.

82 *Proof Committee Hansard*, 30 July 2014, p. 5.

83 *Proof Committee Hansard*, 30 July 2014, p. 6.

84 *Proof Committee Hansard*, 10 September 2014, p. 55.

85 *Proof Committee Hansard*, 30 July 2014, p. 69.

20.59 Mr Yates, COTA, observed that universities using NRAS to expand student accommodation was probably not part of the scheme's original intention. He suggested that COTA was keen for NRAS to be tightened up in terms of its focus 'to support community, church and charitable organisations and so on'. The Council would have had 'no difficulty with a tightening of the eligibility criteria for NRAS tenants'.⁸⁶

20.60 Not all witnesses opposed the use of NRAS to house international students. Mr Pisarski thought the situation 'a little bizarre' that Australia wants to encourage foreign students to come to the country, take up opportunities in Australian universities and contribute to the economy but then exclude them from affordable housing. In his view, this was particularly relevant given that most Australian cities have a major overcrowding problem in foreign student housing. It seemed to him that there ought to be 'the possibility of doing a proportion of student housing and foreign student housing within those propositions'.⁸⁷

20.61 Professor Earl was concerned about the level of understanding around the issue of NRAS being used to provide accommodation for students from overseas. He stated:

To put a blanket over this and say all investment into university housing is for international students is to draw a long bow. It obviously did happen, but I think there could be some safeguards for those kinds of students who are travelling from regional Australia to the cities for educational purposes.⁸⁸

20.62 Indeed, the University of Sydney drew attention to the 'acute shortage of affordable housing within 3km of the University's main campus, resulting in high levels of rental stress...'⁸⁹ The National Union of Students raised the need for more stringent means testing to ensure that on-campus housing subsidised under NRAS went to students in need.⁹⁰

Trading incentives

20.63 In early 2013, the media reported on concerns about the transfer of NRAS incentives whereby the holders of unused incentives were trading them for between \$10,000 and \$30,000.⁹¹ In March 2014, the then Minister for Social Services

86 *Proof Committee Hansard*, 28 July 2014, p. 27.

87 *Proof Committee Hansard*, 10 September 2014, p. 38.

88 *Proof Committee Hansard*, 10 September 2014, p. 57.

89 *Submission 62*, executive summary.

90 *Submission 82*, p. 7.

91 See, for example, *Australian Financial Review* 'Affordable rents review', 9 March 2013.

announced that the government would 'crackdown' on this practice of trading in NRAS entitlements.⁹²

20.64 In July 2014, Mr Palmer, Department of Social Services, informed the committee that the problem with the trading of incentives involved excessive fees in such a trade. He noted, however, that, at that time, the department had no visibility on such transactions or any direct evidence. Nonetheless, according to Mr Palmer, the department did have 'an awful lot of anecdotal evidence of the practice of excessive fees being charged during the transfer of an incentive'. Mr Palmer explained that in some cases the person entitled to hold the incentive transferred it to another person for a fee. That person would then bring their property into the scheme as a replacement for the original incentive. In endeavouring to explain the practice of trading incentives, Mr Palmer understood that the process sounded complicated.⁹³

20.65 Apart from this concern with the integrity of the scheme, he also noted that the overall goal of increasing the housing supply could be undermined:

If you think about how houses are brought into the NRA scheme, there is a tremendous benefit if we manage to bring houses into the NRA scheme in a way that adds to the overall supply of housing in the entire market. If as a result of the scheme a house is built that would not otherwise have been built there is a tremendous benefit. We expand the housing market and we bring a low-income house to the market. If a house that is brought into the scheme does not do that, if it is something we spot purchase from a supply already occurring or if it would have been built anyway then it does not add to the overall supply of the market. So in a sense we are not helping overall market affordability while we are bringing into the scheme a house that provides an additional 20 per cent reduction on market rents and a house that is available for someone who is low-income.⁹⁴

20.66 In other words, according to Mr Palmer, the intention to build houses that would otherwise have not be built had not 'always worked out'.⁹⁵

20.67 A number of submitters outlined their understanding of the trading of incentives. For example, Ms Young, Regional Development Australia, Gold Coast, explained that projects that did not eventuate—that did not obtain bank funding to be constructed—still had approvals attached to them. So people who had obtained an approval for a particular project then put their hand up to say they could not fund the

92 See, for example, *The Australian*, 'Unlike Labor, one state closed rental loophole', 13 March 2014 and Transcript, The Hon. Kevin Andrews MP, Minister for Social Services, Bush Telegraph, ABC National, 20 May 2014, <http://www.formerministers.dss.gov.au/15285/bush-telegraph-abc-radio-national-20-may-2014/> (accessed 5 January 2015).

93 *Proof Committee Hansard*, 30 July 2014, p. 8.

94 *Proof Committee Hansard*, 30 July 2014, p. 9.

95 *Proof Committee Hansard*, 30 July 2014, p. 11.

build—it was not going to eventuate—and then sold the approval to another developer. She agreed with the proposition that, in effect, the entitlement to an NRAS incentive was being treated as a commodity, which was never the intention.⁹⁶ Ms Young suggested that, from the delivery side of things, more control was needed over the people who were participating and selling NRAS approved homes.⁹⁷ She indicated that greater central control could be the answer rather than management by the states as well as having performance indicators earlier in the process rather than letting developments run.⁹⁸

20.68 Other submitters closely involved in the operation of NRAS and based on their knowledge of the industry, also informed the committee of the practice of trading incentives. In Mr Somerville's view, there was a need to understand why this trading had happened, that is what had initiated the practice. He explained:

That occurred because in round 4 of NRAS there was a massive delay in the allocation of entitlements after the applications closed; it was nine months. That was not the fault of bureaucrats; that was a hung parliament, a change of government, changes of ministers and a protracted announcement. So through that nine month period of time—assuming you made an application in the earlier months when it was first opened—the allocation was 12 months down the track. Within that period of time, developers sold their stock, and a huge proportion of those that were applied for under that model were simply not able to be delivered.

The department said, 'We will allow substitutions to be made,' which was fair and reasonable at that point in time. But that unwittingly created a massive amount of change requests. Again, it took an extraordinary amount of time for the bureaucrats to assess the change requests that came in for all of that round 4 stock. That then went for another four months. So you could have easily had an application for a property which was undeliverable, and then, by the time the assessment was made again, it was undeliverable again. Those delays created a negative opportunity for people to profit from that.⁹⁹

20.69 Mr Somerville was aware of some examples where such fee-making activity had taken place, citing Melbourne in particular where, at that time, there were a number of large-scale developments. He explained that these developments:

...were being engaged in the city, for which the market was pretty dead, so those developers found it opportune to be able to transfer an NRAS entitlement onto those and make them NRAS dwellings.¹⁰⁰

96 *Proof Committee Hansard*, 10 September 2014, p. 30.

97 *Proof Committee Hansard*, 10 September 2014, p. 29.

98 *Proof Committee Hansard*, 10 September 2014, p. 29.

99 *Proof Committee Hansard*, 10 September 2014, p. 55.

100 *Proof Committee Hansard*, 10 September 2014, p. 55.

20.70 At that point, Mr Somerville did not know how many incentives had changed hands, because, in his words:

...fundamentally that market did not work for NRAS. Putting an NRAS entitlement onto a one-bedroom Docklands apartment which is going to rent for \$600 a week does not work for NRAS. So they were never going to actually make it work. I think there is a lot more noise around it than substance.¹⁰¹

20.71 From Mr Myers' perspective, the trading that had been reported in the media was not an accurate reflection. He explained:

We have sat down with the department and gone through this line by line, because it is small-scale but it is damaging, so we want it out of the way. We have made proposals on it. If we are an approved participant, we cannot just give the incentive to somebody else. However, if [for example] we have gone in for a deal with Mirvac on this development, and, by the time the approval comes through, that development or stage is sold out and there is not another stage, and if we go to another developer in a neighbouring area, AVJennings, then what is a reasonable administrative fee for doing all the work on that and having to do redo it all over on this—the same approved participant?¹⁰²

20.72 Mr Myers agreed that certain requirements could be included in regulations, including fee disclosure and the obligation to notify the department of any change. Indeed, as Mr Somerville noted, change requests under NRAS now required a statement of the fee model to be submitted with any change request.¹⁰³

20.73 Mr Pisarski told the committee that trading of incentives was not supposed to happen, though in his opinion, the fact that it did demonstrated that NRAS incentives were a valued commodity. He attributed the problem to 'the small portfolio or the small allocation processes that had happened and a range of other issues'.¹⁰⁴ He did not see the emergence of this practice of trading incentives as a reason to end the scheme. Indeed, he did not necessarily see it as a problem, if it meant that the affordable housing gets put on the ground in a more timely fashion.¹⁰⁵ In his view, the problem could be addressed easily and even disallowed if NRAS were to continue.¹⁰⁶ Most importantly, according to Ms Croce, the problems with the trade in incentives were 'administrative and seemingly fixable'.¹⁰⁷

101 *Proof Committee Hansard*, 10 September 2014, p. 55.

102 *Proof Committee Hansard*, 10 September 2014, p. 56.

103 *Proof Committee Hansard*, 10 September 2014, p. 56.

104 *Proof Committee Hansard*, 10 September 2014, p. 38.

105 *Proof Committee Hansard*, 10 September 2014, p. 39.

106 *Proof Committee Hansard*, 10 September 2014, p. 38.

107 *Proof Committee Hansard*, 10 November 2014, p. 15.

Conclusion

20.74 Evidence indicated clearly that a range of individuals and organisations strongly supported NRAS. When mounting a case for its continuation, they could identify its achievements, citing in particular NRAS' positive contribution as a supply-side intervention and its success in increasing the stock of affordable housing. NRAS also promoted constructive partnerships between not-for-profit and private sector investors and developers, and added value to the government's investment. It delivered social housing as well as affordable housing in mixed developments overcoming problems created by having social housing in concentrated pockets. NRAS was looking to develop properties with the flexibility that allowed people to improve their circumstances without jeopardising their tenancy.

20.75 Undoubtedly, NRAS has experienced some difficulties with its implementation, which are attributable to:

- teething troubles, including administrative practices associated with too much paperwork, delays in processing applications and slow response to emerging signs of problems;
- understaffing, inexperience and high turnover within the department administering the scheme;
- design inadequacies including a one size-fits-all approach which failed to take account of, or appreciate, the housing circumstances of particular areas with an identified need for affordable housing such as high value suburbs and regional, rural and remote areas;
- lack of clarity around the targeting of incentives and eligibility, which allowed significant allocation of incentives to overseas students;
- disclosure measures, which allowed the trading of incentives with excessive fees to persist and ultimately to damage the perceived integrity of the scheme; and
- external factors, notably the global financial crisis which created challenges in attracting private investment.

20.76 These design and administrative shortcomings have overshadowed NRAS' success but, while they point to the need for refinement, they in no way warrant its discontinuation.

20.77 The Department acknowledged that there were design flaws in the scheme.¹⁰⁸ In the following chapter the committee examines the government's response to the reports of deficiencies in NRAS.

Chapter 21

NRAS, review of housing and homelessness and the Federation White Paper

21.1 On 13 May 2014, the Hon Kevin Andrews MP, then Minister for Social Services, announced that NRAS had 'fallen well short of expectations'—it had 'simply failed to deliver for low and moderate income Australians'. He stated:

The scheme has been plagued by the late delivery of dwellings, trading of incentives, multiple changes to agreed locations, leasing to international students and roting.¹

21.2 The 2014 portfolio budget statement also announced that the Australian Government would not proceed with the final round (round 5) of NRAS. Incentives already allocated through the scheme, however, would continue to be paid for up to 10 years 'as long as eligibility requirements were met and homes were built in agreed locations according to agreed timeframes'.²

21.3 In this chapter, the committee considers developments with NRAS since the government indicated publicly it had a number of concerns with the scheme and had cancelled round 5. It looks at the proposed review of NRAS and housing more broadly; the inclusion of housing and homelessness in the Federation White Paper process; and industry's response to these developments.

Government's view of NRAS

21.4 According to the Department of Social Services, the scheme had not delivered on its targets. As at 29 July 2014 there were 23,211 incentives delivered.³ It should be noted, however, that the scheme was introduced during the GFC and the Brisbane floods caused a delay to the roll-out. Mr Palmer explained:

There was a rephasing that occurred with the scheme at the time of the Brisbane floods...but at that point there was a delaying of the phasing of the scheme to harvest some funds to help with the repair work following the Brisbane floods. The original schedule was changed at that point...The

1 The Hon Kevin Andrews, Minister for Social Services, Media Release, 'Round 5 of flawed National Rental Affordability Scheme not proceeding', 13 May 2014, <http://www.formerministers.dss.gov.au/15215/round-5-of-flawed-national-rental-affordability-scheme-not-proceeding/> (accessed 27 August 2014).

2 Department of Social Services, Portfolio Budget Statement, p. 23, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 18 March 2015).

3 *Proof Committee Hansard*, 30 July 2014, p. 10.

schedule of the rollout was slowed down. It was delayed quite substantially.⁴

21.5 Even so, Ms Hand referred to other developments that had frustrated progress including requests to delay delivery and to change location.⁵

As a supply side measure

21.6 In February 2015, Mr Damian Coburn, Department of Social Services, informed the committee that together with dwellings already delivered into the scheme and with further reserved allocations to be delivered, the total number of dwellings to be delivered by June 2016 amounted to 38,000. He explained that the termination of the scheme meant that there would be no further rounds but the existing arrangements would remain unaffected.⁶ With reference as to whether NRAS had succeeded in increasing the supply of affordable housing, Mr Coburn maintained that the scheme had certainly reduced the rent for the houses in the scheme. In his opinion, however, it was difficult to determine whether NRAS had succeeded as a supply-side measure. He explained that some projects may have been built that would not have gone ahead without the NRAS incentive but there were some that were already 'green lit and funded' that would have proceeded anyway and had NRAS incentives attached to them.⁷ Ms Hand supported her colleague's view that it was very difficult to measure whether overall housing had been increased under NRAS. She did note, however, that it was 'a very expensive scheme', costing about \$8,000 per dwelling per annum, whereas the Commonwealth rent assistance and public housing was about \$3,000.⁸

International students

21.7 With regard to NRAS incentives being used to provide affordable housing for overseas students, Ms Hand made clear that there was nothing in the legislation and regulations to stop NRAS dwellings being rented out to foreign students. Nonetheless, she explained that the department was looking at whether there might be a potential for changing regulations, to make it focus more on domestic Australian students. She added that the department had communicated with providers 'to reinforce the fact that there should be a focus on domestic Australian students'.⁹

4 *Proof Committee Hansard*, 30 July 2014, p. 10.

5 *Proof Committee Hansard*, 30 July 2014, p. 10.

6 *Proof Committee Hansard*, 11 February 2015, p. 22.

7 *Proof Committee Hansard*, 11 February 2015, p. 23.

8 *Proof Committee Hansard*, 11 February 2015, p. 23.

9 *Proof Committee Hansard*, 11 February 2015, p. 24.

Trading of incentives

21.8 It should be noted that in October 2014, the Department issued a caution to NRAS investors stating that the department had:

...become aware of unscrupulous persons/entities who purport to have NRAS incentives under the Scheme, and who are then selling those 'incentives' to unwary investors, developers and charitable organisations. The persons involved may have been falsifying correspondence from the Department as 'proof' that they hold the incentives.¹⁰

21.9 The statement warned of people discovering that they had paid a large sum of money for nothing.¹¹

21.10 The government also promulgated regulations, which came into effect during the latter part of 2014, designed to improve the integrity of the scheme. The committee has noted that to prevent the trading of incentives for excessive fees, change requests now require a statement of the fee model to be submitted with any such request.¹²

Proposed review

21.11 The 2014 portfolio budget statement indicated that a focus in 2014–15 would be on a review of housing and homelessness including NRAS.¹³ The Department of Social Services informed the committee that while the Commonwealth Government understood NRAS' role in providing more affordable rental housing, particularly for low income earners, it also acknowledged that there was 'significant scope' to improve the scheme's operation and administration.¹⁴ According to the department, the government had tasked it with examining options to improve the operation of NRAS and to ensure there were more stringent processes to test compliance.¹⁵

10 Department of Social Services, 'Cautionary Note to Developers, Investors and Charitable Organisations', October 2014, <https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme/cautionary-note-to-developers-investors-and-charitable-organisations> (accessed 12 January 2015).

11 Department of Social Services, 'Cautionary Note to Developers, Investors and Charitable Organisations', October 2014, <https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme/cautionary-note-to-developers-investors-and-charitable-organisations> (accessed 12 January 2015).

12 *Proof Committee Hansard*, 10 September 2014, p. 56.

13 Portfolio Budget Statements 2014–15, Budget Related Paper No. 1.5A, Social Services Portfolio, p. 129, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 18 March 2015).

14 *Submission 198*, p. 31.

15 *Proof Committee Hansard*, 30 July 2014, p. 4.

21.12 In July 2014, the department informed the committee that the Minister was keen for this review to be quick, short and sharp.¹⁶ The main reasons for the review were to:

- address short term things that could be done immediately in advance of the reviews of taxation and Federation, such as the future of the NPAH beyond the current financial year; and
- have NRAS operate more fully.¹⁷

White Paper on Federation

21.13 In August 2014, the then Minister for Social Services announced, however, that in the year ahead the government would review housing and homelessness policies and programmes to examine ways to improve housing supply and affordability. Further, this review would feed into the government's white papers on reform of the Federation and on taxation.¹⁸

21.14 At a public hearing in October 2014, Ms Hand informed the Senate Legislation Committee on Community Affairs that the review on housing and homelessness announced over a year before would now happen through this review of Federation. She explained that the white paper process on Federation, which had a particular focus, amongst other things, on housing, would serve as the government's primary vehicle for considering housing and homelessness. Noting the Commonwealth's involvement in terms of its funding role through NAHA and NPAH, she explained further:

The reform of Federation review is considered the right process to really look deeply at housing and homelessness issues because...the service delivery for housing and homelessness is done almost exclusively by the states.¹⁹

21.15 Ms Hand told the committee that the minister intended in the near future to host roundtable discussions with representatives, stakeholders and service providers on housing and homelessness matters. From these concurrent consultations and roundtables, relevant issues would then contribute to the Federation White Paper process to inform that deep review.²⁰ Ms Hand also told the Community Affairs Committee that the department had initiated its own independent audit using

16 *Proof Committee Hansard*, 30 July 2014, p. 3.

17 *Proof Committee Hansard*, 30 July 2014, p. 3.

18 Media Release by Hon Kevin Andrews MP, 'Coalition Committed to Reducing Homelessness', 4 August 2014, <http://www.formerministers.dss.gov.au/15242/coalition-committed-to-reducing-homelessness/> (accessed 12 January 2015).

19 Senate Legislation Committee on Community Affairs, *Estimates Hansard*, 23 October 2014, p. 163.

20 Senate Legislation Committee on Community Affairs, *Estimates Hansard*, 23 October 2014, p. 163.

independent organisations to do a health check. In addition, she stated that the ANAO had indicated interest in doing an audit on the program.²¹

21.16 Following on from this statement, it should be noted that the ANAO is currently undertaking an audit of the department's administration of NRAS, with a focus on the assessment of applications for incentives and management of allocations. It will also conduct a second audit, commencing in the second half of 2015, to examine the department's processing of claims for entitlements under the scheme and monitoring of approved applicants' compliance with NRAS.²²

21.17 As part of the reform of the Federation White Paper process, an issues paper on *Roles and Responsibilities in Housing and Homelessness* has been produced. The paper explained:

To some extent, the White Paper will pick up the review of housing and homelessness policies and programmes the Commonwealth Minister for Social Services had planned, reflecting that service delivery in this area is managed almost exclusively by States and Territories.²³

21.18 The committee took evidence both before and after it became apparent that the review of housing and homelessness, as initially proposed, would become part of the Federation White Paper process.

Response to government announcements

21.19 In July 2014, Mr Richard Lindsay, Urban Development Institute of Australia (UDIA), acknowledged the government's intention to review NRAS as well as some other schemes around housing and homelessness. In his view, however, any review of NRAS should be done quickly. He stated that as an industry association, it was very keen to be involved and engaged in helping to sort through any issues. Even so, according to Mr Lindsay, two years was definitely too long to wait: there being downsides to delay.²⁴ In his assessment, the scheme had reached a stage where it was 'really starting to get some acceptance and momentum'.²⁵

21 Senate Legislation Committee on Community Affairs, *Estimates Hansard*, 23 October 2014, p. 159.

22 ANAO, Audits in progress, 'Administration of the National Rental Affordability Scheme', <http://www.anao.gov.au/Publications/Audits-in-Progress?portfolio=1104C9D81F57435393DBCC1681E1B62B> (accessed 27 March 2015).

23 Reform of the Federation, White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 3, https://federation.dpmc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf (accessed 2 March 2015).

24 *Proof Committee Hansard*, 30 July 2014, p. 68.

25 *Proof Committee Hansard*, 30 July 2014, p. 68.

21.20 Importantly, he was not confident that the scheme could pick up from where it left off. From his perspective, the lapse of two years 'basically puts some doubt in people's minds about the scheme and what might be coming next'. He agreed that there were some elements that probably needed to be addressed and fixed, but he did not think that it would necessarily take two years to complete.²⁶ He added that as an industry association, the UDIA was very keen to be involved and engaged in helping to iron out any problems with NRAS.²⁷

21.21 COTA understood the importance of, and welcomed, the review into housing issues, but thought it was unfortunate to discontinue NRAS before the government had a good look at housing policy.²⁸ Mr Bouffler, Community Employers WA, similarly referred to the lack of certainty as to what was going to happen. He stated:

The issue that we have as employers is more the here and now. What do we do whilst all those discussions are going on? Our members employ 10,000 people; what do those people do? What do the people they support do while all these discussions are happening? We need to keep the machinery of government and the support that is provided out there in the system going every day. When you have boards doing strategic plans and investments and thinking about where they allocate their increasingly scarce resources, we need some confidence that government has a plan and knows what it is doing.²⁹

21.22 While acknowledging that the government could be working on a longer-term plan, which, in Mr Bouffler's view, was great, he maintained that people needed to be confident that funding was available and would continue.³⁰

21.23 The Equality Rights Alliance also approved of the inclusion of housing in the Tax and Federation white paper processes. It was concerned, however, that there would be no separate review into federal housing and homelessness policy.³¹

Importance of continuity

21.24 Consistent with the views of many others, COTA thought that NRAS had a lot of potential and was disappointed that the scheme had been discontinued rather than refocused.³² Likewise, National Shelter argued that NRAS was successful, exceeded expectations and was:

26 *Proof Committee Hansard*, 30 July 2014, p. 68.

27 *Proof Committee Hansard*, 30 July 2014, p. 68.

28 *Proof Committee Hansard*, 28 July 2014, p. 22.

29 *Proof Committee Hansard*, 11 November 2014, p. 15.

30 *Proof Committee Hansard*, 11 November 2014, p. 15.

31 *Proof Committee Hansard*, 10 November 2014, p. 20.

32 *Proof Committee Hansard*, 28 July 2014, p. 22.

...pretty much the only thing, along with the social housing initiative that was part of the nation-building package, that was growing housing supply in Australia, particularly at the affordable end of the market'.³³

21.25 Mr Pisarski pointed out that continuity was also 'really important'.³⁴ He explained that his sector 'always understood or expected that there would be a continuing pipeline of NRAS incentives' and, in his view, this was an expectation shared by investors and the investment community. Indeed, he informed the committee that when the proposal to create NRAS was being considered, investors, developers and the business community kept talking of the need for certainty over the long term. He indicated that they were saying:

If we have certainty, whatever the rules are, we will learn to live with them and we can plan a business case around the rules. But, if the rules keep changing, that creates real problems.³⁵

21.26 Mr Pisarski referred to the discontinuation of round 5 of NRAS and the concern it was generating. From his perspective, the cancellation of this round was a missed opportunity and suggested that the government should be looking at how NRAS might be adjusted rather than ended.³⁶ Nonetheless, according to Mr Pisarski:

...even if NRAS were to be revamped or brought back in some other shape or form, we have now created an impression amongst the investment community that it is subject to the whim of government change all of the time and we do not have that long-term certainty. That is the greatest criticism that I have been hearing of the discontinuation of round 5—that we do not now have the certainty of a pipeline that existed.³⁷

21.27 Mr Walker indicated that Queensland had some concerns about the Australian Government not proceeding with the final round of NRAS. He noted that this decision would mean that at least 2,000 new affordable rental dwellings would not be delivered under this scheme for low- to moderate-income households. He argued that this development 'very much pushes responsibility back onto states to find alternative ways to deliver affordable housing'.³⁸

21.28 His colleague, Mr Leitch, also referred to NRAS having got a 'fairly good head of steam', with most recent rounds in Queensland achieving a very high subscription. Mr Leitch indicated, however, that the decision to suspend NRAS resulted in activity associated with NRAS 'going cold'. According to Mr Leitch, there

33 *Proof Committee Hansard*, 10 September 2014, p. 38.

34 *Proof Committee Hansard*, 10 September 2014, pp. 38–39.

35 *Proof Committee Hansard*, 10 September 2014, p. 39.

36 *Proof Committee Hansard*, 10 September 2014, p. 38.

37 *Proof Committee Hansard*, 10 September 2014, p. 39.

38 *Proof Committee Hansard*, 10 September 2014, p. 42.

was a lot of interest in the community which would have to be reactivated if 'we fired up'.³⁹ Mr Walker stated:

There is some loss of that momentum as a result of this current pause. The quicker we are able to resolve whether it is proceeding or not proceeding would be particularly useful.⁴⁰

21.29 Mr Somerville echoed the sentiments of many other witnesses when he highlighted the importance of having consistency and clarity. In his opinion, the changes in the policy of NRAS, through its evolution, created a fair amount of uncertainty and instability.⁴¹ He argued that continuity was essential to the success of NRAS, suggesting strongly that the scheme should be on an annual rolling basis with the capacity to vary the 'amount nationally for economic stimulus, between 5,000 and 10,000 every year'.⁴² He explained that by setting a low level of 5,000 or a high level of 10,000 allocation every year, everybody would know that an annual allocation was going to be available.

21.30 According to Mr Somerville, under round 5 of NRAS, Queensland specifically identified land available for the state's contribution to the scheme. The Western Australian and South Australian governments were also supportive of that model, which involved collaboration between the private equity and the community housing providers. Mr Somerville explained that the scheme was 'at the point of attracting institutional investment and certainly had high levels of interest'.⁴³

21.31 Ms Young informed the committee that as each round for NRAS came out, the rules changed, which made it difficult for people in the private sector to come in and out of the system and understand it. She also noted, however, that by rounds 3 and 4, NRAS had built up 'a head of steam'. But now, according to Ms Young, this impetus had effectively dissipated. She stressed that NRAS had worked and underlined the importance of having something to replace it:

That may be the state or federal government coming in with CRA funding for private investors to allow them to offer rentals at lower cost. Perhaps that means the government may offer a five-year or 10-year head lease on a private investment property, which allows somebody to come in and finance that with public bank funding—something that could secure it so that the supply continues.⁴⁴

21.32 Ms Croce, Community Housing Federation of Australia, explained that NRAS was based on a program in America called the Low-Income Housing Tax Credit

39 *Proof Committee Hansard*, 10 September 2014, p. 47.

40 *Proof Committee Hansard*, 10 September 2014, p. 47.

41 *Proof Committee Hansard*, 10 September 2014, p. 55.

42 *Proof Committee Hansard*, 10 September 2014, p. 56.

43 *Proof Committee Hansard*, 10 September 2014, p. 52.

44 *Proof Committee Hansard*, 10 September 2014, p. 29.

program. When NRAS became permanent as a part of legislation, it allowed community providers access for the first time or in an expanded way to financial institutions and they started to engage and partner in joint ventures.⁴⁵ Ms Croce noted that NRAS was the only private investment vehicle that was available. She was concerned that if something did not replace NRAS and replace it quickly, the financial institutions, investors and developers' growing confidence in the scheme would expire.⁴⁶ Mr Flynn, Mission Australia, reinforced this message:

One of the most disappointing things about the removal of the last round of NRAS, aside from the drop in the number of dwellings that will be delivered, is that it undermines the confidence of the investor sector in that marketplace. Clearly one of the successes of the US system is that private investors have a very high level of confidence in that market, which in turn has been able to deliver something—over a long period of time.⁴⁷

21.33 Indeed, Dr Burgmann, NSW Federation of Housing Associations, stated that one of the reasons the housing association industry had been so concerned about the cancellation of NRAS was because investors had just started to dip 'their toes in the water of financing affordable housing'. She stated:

We were arguing for that to become a permanent program because it does give that sense that this is a piece of the infrastructure of the Australian housing system that investors and lenders can come to with some degree of confidence. It does not matter whether it is NRAS or some other kind of program. What we would be looking for from both levels of government is to signal that investing in affordable housing is a legitimate thing to do, that the rules of the game are not going to change in a hurry, and that this is an asset class that it is worth super funds and the big banks wrapping their heads around and developing lending policies around because it is going to be here to stay.⁴⁸

21.34 Professor Yates added her voice to the many disappointed with the cancellation of NRAS. In her view, it was a 'terrible shame that NRAS does not seem to be on the books again'. She agreed that NRAS may not have been an ideal program, but the ideas behind it were important. According to Professor Yates, there was 'a need for some kind of subsidy, targeted to generate an affordable entry-level kind of housing'.⁴⁹

45 *Proof Committee Hansard*, 10 November 2014, p. 13.

46 *Proof Committee Hansard*, 10 November 2014, p. 10.

47 *Proof Committee Hansard*, 10 November 2014, p. 29.

48 *Proof Committee Hansard*, 10 November 2014, p. 13.

49 *Proof Committee Hansard*, 10 November 2014, pp. 40–41.

Scope for improvement

21.35 While some witnesses and submitters had reservations about certain aspects of the way NRAS was implemented, they did not advocate its abolition. Indeed, most agreed that the scheme should be further refined or replaced by one with the same objective of increasing the supply of affordable housing.⁵⁰ For example, Catholic Health Australia recommended that:

The Government reinstate it [NRAS] with some modifications, or establish a successor program that continues to offer incentives for Church or charitable non-government organisations to invest in provision of new, or undertake refurbishment of existing, housing stock for utilisation by vulnerable older Australians.⁵¹

21.36 The Community Housing Council of South Australia gave unilateral support for the continuation of NRAS, particularly in the way in which community housing providers had adopted and used the scheme.⁵² It acknowledged that, as was the case with all programs, there were 'opportunities for refinement and change'.⁵³ Ms Coleman was of the view that while NRAS had the bones of a good scheme, she was sure that it could be improved. From her perspective, the principle of seeking private investment to match government investment was important because she could not envisage a time where social housing was going to be fully government funded. In her view, the market must be involved.⁵⁴ Likewise, the Property Council of Australia suggested that NRAS was a 'vital affordable housing program', but that it should be recalibrated.⁵⁵

21.37 According to Mr Myers, National Affordable Housing Consortium, 40 per cent of the current investor market was indicating that it would like 'to buy another NRAS product within that next five years'. He stated that this would account for \$100 million worth of additional investment from just one agency alone.⁵⁶

21.38 From the UDIA's viewpoint, NRAS had been 'a really useful program', which had gained growing acceptance from the private sector in recent years.⁵⁷ In its view,

50 See, for example, Mr Flynn, *Proof Committee Hansard*, 10 November 2014, p. 26. See also Grace Mutual Limited, *Submission 1*; Neumann and Turnour Lawyers, *Submission 20*; National Affordable Housing Consortium, *Submission 31*, p. 6; and Women's Housing Company, *Submission 52*, p. 2.

51 *Submission 49*, p. 3.

52 *Proof Committee Hansard*, 28 July 2014, p. 38.

53 *Submission 99*, p. 1.

54 *Proof Committee Hansard*, 30 July 2014, p. 57. See also Ms Milne, *Proof Committee Hansard*, 10 September 2014, p. 21.

55 *Submission 212*, pp. 3, 5.

56 *Proof Committee Hansard*, 10 September 2014, p. 57.

57 *Proof Committee Hansard*, 30 July 2014, p. 67.

NRAS was a way in which the Commonwealth could engage in addressing supply-side issues. Although Mr Foley, UDIA, conceded that the scheme may not have been implemented as well as it could, he was of the view that basically the framework was a good one. In summary he stated:

...the fundamental basis of NRAS, which is a cooperative scheme between the private sector and the federal government to provide affordable housing for low- to middle-income households, is solid.⁵⁸

21.39 Mr Foley explained that homes have and will be delivered directly because of that policy position. In his view, NRAS had made a useful contribution to the supply-side and the experiences gained from the program could be built on to make NRAS better.⁵⁹ Mr Foley believed that the reasons for NRAS not attracting institutional investors was around the current incentives being provided and the time taken for the private sector to become used to the scheme, to build trust in, and acceptance of, it.⁶⁰

21.40 His colleague, Mr Lindsay, also pointed to a timing issue whereby the introduction of the scheme 'basically landed slap-bang in the middle of the GFC'.⁶¹ In his opinion, it took a couple of years, in particular, for the scheme 'to get up and running and to get industry involved and engaged'. Mr Lindsay saw the potential for NRAS, if it kept going, to attract increasing numbers of institutional investors as they became more aware and more comfortable with the concept.⁶² Essentially, he thought the whole principle of the scheme was good and it was achieving some valuable outcomes.

The basis of the scheme is sound, but we probably do need to look at addressing some of the ways in which it has been implemented.⁶³

21.41 Without doubt, NRAS encountered some troubles during its short life but, as many witnesses noted, the shortcomings, many of which were teething problems, could be fixed. The very fundamentals of the scheme were solid and NRAS was starting to make a very significant contribution to the supply side of affordable housing. The government discontinued the scheme just as it was beginning to gain traction with the private sector: just as partnerships were being developed between the public, not-for-profit and private sector. The committee supports the call for the review of NRAS to be completed expeditiously and for the government to begin to send reassuring signals to both the not-for-profit sector and private investors that it is committed to working with both sectors to ensure that the work started under NRAS would continue and furthermore be built on.

58 *Proof Committee Hansard*, 30 July 2014, p. 69.

59 *Proof Committee Hansard*, 30 July 2014, p. 68.

60 *Proof Committee Hansard*, 30 July 2014, p. 68.

61 *Proof Committee Hansard*, 30 July 2014, p. 68.

62 *Proof Committee Hansard*, 30 July 2014, p. 68.

63 *Proof Committee Hansard*, 30 July 2014, p. 69.

21.42 While many submitters recognised that NRAS had shortcomings: they believed that the scheme had great merit; that it should not be jettisoned; and could be reformed for the better. They identified ways in which they thought NRAS could be improved.

Suggested improvements

21.43 Mr Pisarski suggested that there should be a broader portfolio approach where incentives were allocated at scale—at 1,000 a time—to single providers in order to achieve the scale take-up that was required. Also, he would remove the location-specific requirement. Mr Pisarski favoured an approach whereby minimal requirements would be stipulated for NRAS around set percentages in middle-ring suburbs, in regional areas, in outer-ring suburbs, of various bedroom sizes and types and of affordability. In his view, community housing providers and developers would have the scope to use their own creativity to make a viable operation out of the scheme. According to Mr Pisarski, NRAS could still be adjusted over time to fit such a model. He stated further that even within those requirements, limits or conditions could be set, for example, on student housing to foreign students.⁶⁴

Queensland as a model

21.44 In the previous chapter, the committee detailed Queensland's approach to NRAS with its greater level of control and the additional measures it introduced to help preserve the integrity of the scheme and improve its efficiency—tighter eligibility criteria and application and management processes. Also, with regard to NRAS, Queensland achieved well above the average level of delivery on a per capita basis than the other states and, according to Mr Leitch's understanding, trading in approvals 'did not happen in Queensland, pretty well at all'.⁶⁵ He stated:

Regarding the way we managed it in Queensland, I think we had a very diligent approach as to how that was managed and, because it was tied in with the rest of our housing products, we had a better focus on where things were going.⁶⁶

21.45 Having witnessed some of NRAS' successes in Queensland, Mr Walker was convinced that there was much benefit in such a program. Based on Queensland's positive and encouraging experience, he explained that if the Australian Government were to rework NRAS in any way, then Queensland would certainly be supportive. He stated further that the Queensland Government would be:

64 *Proof Committee Hansard*, 10 September 2014, p. 38.

65 *Proof Committee Hansard*, 10 September 2014, p. 49.

66 *Proof Committee Hansard*, 10 September 2014, p. 49.

...particularly keen to be involved in any conversations with the Australian government on what worked for us and on what might make for a better scheme moving forward.⁶⁷

21.46 Also, referring to Queensland, Mr Somerville recognised that the state had put more resources into NRAS and made the criteria far more specific—including the eligibility for tenants. He suggested that Queensland had a much higher level of control and far more rigid requirements through the application and management process as well as embracing the scheme.⁶⁸ For example, as noted earlier, Mr Somerville explained that:

When the floods occurred they said, 'We'll have another 5,000 NRAS.' So they had the additional numbers, the additional resources, and it was much more tightly managed.⁶⁹

21.47 Mr Myers noted the 2,800 dwellings delivered in Queensland in the last five years, all with private investment. NRAS providers borrowed other people's capital and made the affordable housing equation work. Mr Myers was certain in his mind that aspects of the Queensland model should be applied nationally. In particular, he cited accountability—the ability to demonstrate who is getting what—noting that Queensland had more relevant data than the other states. He maintained that, because members of the National Affordable Housing Consortium operated under that system, 26 per cent of people in NRAS housing in its portfolio were on a disability support pension and a third of those were also on the public housing waiting list. He stated:

So we can demonstrate that this is the gap in the market that we keep saying needs much more sophisticated filling so that people can move into products that are more suited to their income and household needs.⁷⁰

21.48 Mr Myers reminded the committee, however, that Queensland, at 3.2 per cent, had one of the lowest levels of social housing of any state.⁷¹

Tailoring incentives

21.49 It should be noted that there are two streams of investors in the rental market: mum and dad investors; and institutional investors.⁷² Mr Somerville suggested that there should be two specific application criteria—for institutional models and for the individual investor model. He explained the difference:

The individual investor model is driven by the tax benefits, largely, and a 10-year NRAS with the tax benefits is a very attractive proposition for an

67 *Proof Committee Hansard*, 10 September 2014, p. 47.

68 *Proof Committee Hansard*, 10 September 2014, p. 54.

69 *Proof Committee Hansard*, 10 September 2014, p. 54.

70 *Proof Committee Hansard*, 10 September 2014, p. 54.

71 *Proof Committee Hansard*, 10 September 2014, p. 55.

72 Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 57.

individual investor. But for an institutional investor it is about longevity, so a lesser amount over a longer term would suffice, or different mechanisms than the rebatable tax offset, over a longer term.⁷³

21.50 Mr Myers elaborated further on the taxation incentives and the benefits they offer to different classes of investors:

...if you work out the incentive's real economic value—to a 47-cents-in-the-dollar taxpayer, to a 30-cents-in-the-dollar taxpayer and to a 15-cents-in-the-dollar taxpayer, or a super fund who may not pay anything in the dollar on what they are doing—then what you are saying is, effectively, you are giving a super fund a not-for-profit cash payment. It is not enough yield. If you were to split it down the middle and say, 'well, actually we need a mechanism that gives them the same as, say, a 30-per-cent company taxpayer', you would actually get buy-in. And you can get buy-in over 20 years.⁷⁴

21.51 Mr Myers noted that the National Affordable Housing Consortium had worked with institutions and that they would like to see a 20-year term. He stressed that institutional investment 'has got to be one of the core policy objectives to improve both supply and affordability'.⁷⁵

21.52 In its submission, the Queensland Council of Social Service suggested that the Commonwealth and states continue funding for the NRAS and undertake the following actions:

- commit to a consistent amount of NRAS incentives every year for five years;
- centralise the administration of the scheme to reduce delays and processing timeframes;
- review eligibility criteria and allocation processes to ensure that housing is allocated to low and moderate income renters;
- vary income eligibility by region to account for differences in regional housing markets; and
- increase the financial incentives available for NRAS dwellings in high need areas, including rural and regional areas, to promote uptake of the scheme in these areas.⁷⁶

21.53 As noted earlier, the government has already taken some measures and promulgated regulations to improve the implementation of NRAS, especially to remove the opportunity for the trading of incentives. Clearly there is further scope to

73 *Proof Committee Hansard*, 10 September 2014, p. 56.

74 *Proof Committee Hansard*, 10 September 2014, p. 56.

75 *Proof Committee Hansard*, 10 September 2014, p. 57.

76 *Submission 175*, p. 3.

reform NRAS and it would appear that the Queensland model could provide a starting point. Furthermore, many in the industry have identified in both general and specific terms areas of NRAS that could be tightened or changed and have indicated their willingness to engage in this process of refinement. Finally, the ANAO audit on the administration of NRAS should provide clear guidance on ways to improve the scheme's administration.

Committee view

21.54 Observations made in this chapter about the value in tailoring incentives for classes of investors and of tightening eligibility criteria and application processes coupled with the shortcomings identified in the previous chapter, demonstrated that a review of NRAS was warranted. The cancellation of round 5, however, was a very different matter. This cessation has set back the scheme just as it was gaining the trust and support of the private sector and beginning to make a material contribution to the supply of affordable housing. Not only has it undermined investor confidence in this scheme, it has also fed into the general uncertainty that has engulfed the national policy on affordable housing. In this regard, the committee also notes the abolition of the home and homelessness program.

21.55 The committee is firmly of the view that the government should start immediately to rekindle the confidence that institutional investors were starting to show in investing in affordable housing and to provide greater certainty in order to attract such investors.

Recommendation 36

21.56 The committee recommends that:

- **in the absence of any credible alternative scheme designed to increase the supply of new affordable housing and considering steps have already been taken to improve the administration and implementation of NRAS, that the Australian Government continue with NRAS round 5;**
- **the Federation White Paper process look at the Queensland NRAS model, which appeared to have much tighter controls over eligibility, as a means of determining where further improvements or fine-tuning could make the system more robust and effective;**
- **the Federation White Paper process look at how NRAS or a replacement scheme could be reframed to take account of the particular housing circumstances of regional Australia and ensure that NRAS housing was better targeted to areas in most need; and**
- **as part of the Federation White Paper process, a thorough cost benefit analysis of NRAS be undertaken, and that any such analysis include comparison of forgone revenue from demand subsidies such as the first home owners grant, and negative gearing and capital gains tax.**

Recommendation 37

21.57 The committee recommends that when considering NRAS, the Federation White Paper process:

- **take note of the concerns raised by many submitters and witnesses about the need for continuity and certainty in order to attract and to gain the confidence of private investors; and**
- **ensure that any proposed refinement or a replacement of the scheme:**
 - **places the highest priority on restoring and building on the initial success that NRAS had in attracting private investors;**
 - **provides investors with certainty regarding the scheme by committing to a consistent flow of incentives extending over a period of at least five years; and**
 - **takes note of lessons to be learnt from NRAS such as the need for clear and tight eligibility criteria and better targeting to areas of need (the ANAO audit should provide a sound starting point).**

21.58 In the context of NRAS, a few witnesses raised the matter of the charitable status of community housing providers as a matter of concern.

Possible loss of charitable status

21.59 In 2008, the Standing Committee on Community Affairs inquired into legislation providing for regulations to prescribe NRAS. Witnesses representing the community housing sector who appeared before the committee agreed that their biggest concern around their participation in NRAS was the possibility that such engagement would compromise their charitable or public benevolent institutions (PBI) status. At that time, a position taken by the Australian Taxation Office (ATO) generated concern as summarised by Ms Croce:

The ATO have indicated that any organisation with charitable status will seriously jeopardise that status if they participate in NRAS. They have further indicated that organisations such as consortiums that participate in NRAS will not be endorsed as charitable organisations. Furthermore—and this is one that sent chills down the spine of the sector—participation in NRAS may cause the ATO to heavily scrutinise all of the activities of a participating not-for-profit organisation, not just those that pertain to participating in NRAS. The ATO have indicated that some of the current activities that our community housing organisations are involved with may no longer satisfy this test for charitable purpose.⁷⁷

77 Standing Committee on Community Affairs, *National Rental Affordability Scheme Bill 2008 [Provisions]: National Rental Affordability Scheme (Consequential Amendments) Bill 2008 [Provisions]*, November 2008.

21.60 The ATO reasoned that NRAS was intended to assist not only low income earners, but people on moderate incomes. In this way, the ATO argued that a charitable organisation's participation in NRAS might fall foul of the 'sole purpose test', which required organisations holding PBI status to have as their sole purpose the provision of charity.⁷⁸

21.61 The then government took measures to provide assurances that participating in NRAS would not jeopardise the status of not-for-profit organisations as charities. Even so, concerns persist that charitable organisations could risk their charitable status by participating in NRAS.

21.62 According to the Community Housing Federation of Australia, a charitable tax status allows providers access to a range of tax concessions, including exemption from income tax and GST, access to the Fringe Benefits Tax and often local government concessions on rates and utility bills. It argued that the charitable tax status was an essential component of the community housing model because the concessions lowered their operating, construction and development costs. The Federation told the committee that these concessions, however, were contingent on a community housing provider satisfying the ATO that its organisation's purpose met the criteria for charitable status. Despite measures taken since 2008 to preserve the status of NFP community housing providers as charitable institutions, the Federation explained:

Over the last several years the sector has operated under the threat and uncertainty that many of its activities, especially in the delivery of affordable housing, would not be considered to have met the criteria of the relief of poverty and could jeopardise the charitable status of community housing providers. The legislation that was purported to constrain housing activities through a narrow interpretation of permissible activities was withdrawn earlier this year. However, other legislation passed in June 2013 contained some tax conditions that may have a similar impact on providers' charitable status, resulting in limiting their participation in the affordable housing market for fear of putting their charitable tax status at risk.

Other legislation, such as the new definition of charity that went into effect 1 January 2014 provided some clarity on the situation...[but it] has been mooted for repeal leaving the sector back in the position it was before with ambiguous interpretations of housing activities allowable as a charitable organisation.⁷⁹

21.63 The Community Housing Federation drew attention to 'the unsettling environment in the charities and tax arena' which would 'cause continuing uncertainty for the sector for forward planning in the affordable housing market'. It noted:

78 Standing Committee on Community Affairs, *National Rental Affordability Scheme Bill 2008 [Provisions]: National Rental Affordability Scheme (Consequential Amendments) Bill 2008 [Provisions]*, November 2008, pp. 6–7.

79 *Submission 171*, pp. 17–18.

...providers are at risk of incurring a significant tax liability if the ATO judges their activities to be ineligible for concessions and at worst, they could lose their charitable status if the ATO deems their activities do not meet their charitable purpose.⁸⁰

21.64 In addition, Ms Croce expressed concern regarding the possibility of community housing providers, incurring significant tax liabilities or, at worst, losing their charitable status because they were inadvertently non-compliant with certain tax laws.⁸¹ According to Ms Croce, there needed 'to be some certainty that affordable-housing activities are acceptable charitable activities'.⁸² In her view, the current uncertainty made it difficult for community housing providers to make decisions about their work plans and future strategy.⁸³ The community housing industry was calling for policy consistency and appropriate tax policies, which would allow for 'a comprehensive definition of housing provision that encompasses a broad range of housing activities'.⁸⁴

21.65 The NSW Federation of Housing Associations similarly highlighted the worry that the charitable status of community housing providers remained relatively unclear because the future of the recent legislation defining 'charitable' was not certain. In its view, this matter needed to be resolved as a matter of urgency, 'as it has implications for the type of growth and business structures community housing providers can pursue and the capacity to hold back the expansion of the industry'.⁸⁵ Neumann & Turnour Lawyers also argued that the charitable sector required certainty that their ongoing participation in NRAS, or any similar scheme, was in fact charitable. According to Neumann & Turnour Lawyers, the government could provide such certainty through legislative recognition.⁸⁶

Committee view

21.66 The committee is firmly of the view that the Australian Government must take steps to provide certainty for community housing providers engaged in NRAS or similar schemes designed to provide affordable housing that their charitable status is not in jeopardy by participating in such schemes.

21.67 The committee understands that community housing providers must be financial sustainable if they are to continue to assist people gain access to affordable housing and provide the support services needed to keep people housed. To do so,

80 *Submission 171*, p. 18.

81 *Proof Committee Hansard*, 10 November 2014, p. 10.

82 *Proof Committee Hansard*, 10 November 2014, p. 10.

83 *Proof Committee Hansard*, 10 November 2014, p. 18.

84 See the Community Housing Federation of Australia, *Submission 171*, p. 18.

85 *Submission 80*, p. 3. Also see *Proof Committee Hansard*, 10 November 2014, p. 18.

86 *Submission 20*, p. 8.

means that they may well enter into commercial activities. It should be clear, however, that their charitable status should not be at risk provided they turn any surplus arising from those activities to their charitable purpose.

Recommendation 38

21.68 The committee recommends that the Australian Government, through legislative recognition of charitable status, resolve any uncertainty over the effect that participation in NRAS or any similar scheme would have on the tax status of entities operating as charities, or public benevolent institutions (PBIs).

Chapter 22

Commonwealth Rent Assistance

22.1 Government rent assistance is intended to ensure that adults with limited means can afford to live in rental housing that meets adequate standards.¹ It recognises that many renters in the private rental market struggle to pay high rents out of low to very low incomes. In this chapter, the committee looks at Commonwealth Rent Assistance (CRA) and its effectiveness in helping with housing costs and reducing rental stress.

Eligibility for Commonwealth Rent Assistance (CRA)

22.2 Commonwealth rent assistance payments are provided to eligible income support recipients. It involves a base payment to certain households, to help them meet basic living standards.² To receive CRA, a person must qualify for a social security income support payment or Family Tax Benefit A and must pay a minimum amount of rent, called the rent threshold. CRA is then paid at the rate of 75 cents for each dollar above the rent threshold up to a maximum rate.³ The CRA is indexed to CPI. Also, CRA is paid to eligible tenants in community housing but not tenants in public housing.

22.3 CRA is the main form of housing assistance in Australia, with over 40 per cent of households in the private rental market receiving these payments. In 2012–13, around 1,268,000 individuals and families received CRA at a cost of \$3.6 billion. According to the Department of Social Services, in 2014–15, the number of CRA recipients had risen to 1.3 million renters around Australia at a cost of approximately \$4.4 billion.⁴

1 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 411, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

2 See Ms Phillips, Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 30.

3 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 6, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

4 See, for example, Department of Social Services, *Submission 198*, p. 31 and *Proof Committee Hansard*, 30 July 2014, p. 2. The Appendix to Volume 2 of the Report of the National Commission of Audit, *Towards Responsible Government*, February 2014, p. 71, stated that CRA is provided to over a million renters at a cost of about \$3.6 billion per year. <http://www.ncoa.gov.au/report/index.html> (accessed 27 March 2015).

Reliance on CRA

22.4 The AIHW noted that CRA had a major effect on households' rental affordability, with a 27 percentage point reduction in the number of low-income recipients in housing stress after receiving CRA.⁵ The Productivity Commission's figures show that at 6 June 2014 of the 1,315,385 income units receiving CRA nationally:

- the median CRA payment was \$124 per fortnight; and
- 76.3 per cent of all CRA recipients were paying enough rent to be eligible to receive the maximum rate of CRA.⁶

22.5 In June 2014, 67.4 per cent of CRA recipients would have paid more than 30 per cent of their gross income on rent if CRA were not provided. However, with CRA provided, 40.3 per cent of CRA recipients still spent more than 30 per cent of their income on rent.⁷ Giving some meaning to these figures, Australian Council of Social Service (ACOSS) explained:

Those who are in private rental will always need some subsidy to help them meet that cost. Unless you are in fully subsidised housing, in the public and community housing system, in terms of making rent affordable for those households I think some kind of demand-side subsidy is necessary.⁸

22.6 Similarly, Ms Sue King, Anglicare, indicated that people were becoming 'incredibly reliant on CRA' in order just to survive in the private rental market.⁹

The Hon Scott Morrison MP, Minister for Social Services, 'Answer to Question Without Notice—National Partnership Agreement on Homelessness', 24 March 2015

<http://scottmorrison.dss.gov.au/speeches/answer-to-question-without-notice-national-partnership-agreement-on-homelessness> (accessed 3 April 2015).

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 Productivity Commission, *Report on Government Services, 2015*, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.7, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 2 February 2015).

7 Productivity Commission, *Report on Government Services, 2015*, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.7, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 2 February 2015).

8 *Proof Committee Hansard*, 10 November 2014, p. 30.

9 *Proof Committee Hansard*, 10 November 2014, p. 30.

Previous reviews

22.7 A number of reviews that have looked more broadly at housing and welfare issues have included CRA in their consideration.

Pension review report

22.8 The 2009 pension review report acknowledged the important role that CRA had in alleviating rental stress and recognised, in particular, the pressure faced by some pensioners paying high rents. It noted that price increases in the rental market had outstripped the rate of assistance. Further, the payment had become less effectively targeted because of the way CRA had been indexed. The review found that the magnitude of these effects was significant and:

If Rent Assistance had been indexed by the changes in actual rents paid by Rent Assistance recipients between 2001 and 2008, rather than by the CPI, it would be some \$8.00 a week higher than it currently is. Noting that the last major adjustments to Rent Assistance occurred in the context of the GST changes in 2000, this suggests that the gap over this longer period is more likely to be around \$9.00 to \$10.00 a week.¹⁰

22.9 The pension review report concluded that there was scope to improve the targeting of this payment so it would better meet the needs of those who face the highest housing costs.¹¹ It also suggested that an immediate response to improve the circumstances of pensioners who rent privately could be achieved through an increase in rent assistance.¹²

Henry Review

22.10 That same year, the Henry Review also mounted a case for increasing the amount of CRA. It found:

As at 5 June 2009 there were 418,000 individuals and families paying more than 30 per cent of their income in rent even after receiving Rent Assistance; 129,000 of these were paying more than 50 per cent of their income. Many of these people, especially age pensioners and disability

10 Dr Jeff Harmer, Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 52, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

11 Dr Jeff Harmer Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 93, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

12 Dr Jeff Harmer Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 93, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

support pensioners (who make up around one-quarter of Rent Assistance recipients) are likely to have limited capacity to increase their incomes. The number of Rent Assistance households paying more than 30 per cent of their income in rent is at its highest level since 2000.¹³

22.11 The Henry Review proposed that rent assistance should be increased so that assistance would be sufficient to support access to an adequate level of housing and should be more appropriately indexed in line with market rents to reflect that growth. The review also suggested that CRA be extended to public housing tenants, with recipients paying rents that reflected market rates, subject to gradual transitional arrangements.¹⁴ The review went further, advocating:

A new source of funding should be made available in respect of the tenants who have high housing needs, such as those with high costs due to disability or people likely to face discrimination in the private market. The payment would be based on the needs of recipients and, where practical, directed by them to providers of their choice.¹⁵

National Commission of Audit

22.12 The 2014 National Commission of Audit considered the Henry Review's suggestion about extending rent assistance to public housing tenants. It argued that under such an arrangement, the Commonwealth would need to increase aggregate rent assistance funding. The Commission suggested that this additional funding could be sourced from redirecting funds currently contributing to NAHA and NRAS, which amounted to \$1.5 billion a year. It was of the view that there was much merit in considering this option further, arguing that two benefits would arise from this approach:

First, the market would determine rents for public and private housing. Second, abolishing housing agreements with the States would remove duplication of effort, improve accountability and alleviate the reporting burden for State governments.¹⁶

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- 13 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
- 14 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 491, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
- 15 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 491, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
- 16 *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit, Volume 2, p. 73, http://www.ncoa.gov.au/report/docs/appendix_volume%202.pdf (accessed 12 December 2014).

22.13 The Commission concluded that 'Commonwealth funding currently directed to the housing agreements should be redirected to fund the extension of rent assistance to public housing tenants'.¹⁷

Welfare system review

22.14 The Commonwealth Government recognised the importance of CRA achieving its policy outcomes. To ensure this occurred, CRA was included, like many other government payments, in the recent review of government welfare. Accordingly, the welfare reform review looked at rent assistance available to tenants in public housing and to tenants in community or private rental accommodation.¹⁸ The committee has discussed the rental arrangements for public housing and noted that tenants in public housing are not entitled to CRA.

22.15 The welfare reform interim report recognised, as did the earlier reviews, that rent assistance had gradually become 'less effective in reducing rental stress for people in the private market'.¹⁹ It indicated that while rent assistance had increased by 40 per cent between 2001 and 2013, median rents had increased by between 65 per cent and 100 per cent.

22.16 As a consequence, according to the welfare reform interim report, income support and family recipients have had to cover more of the costs of rent from their income support and family assistance payments, which reduced the income available for other costs of living.²⁰ In its view, there was a need 'to redesign Rent Assistance to assist people in private rental who have the highest needs'.²¹ The interim report suggested:

17 *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit, Volume 2, p. 73, http://www.ncoa.gov.au/report/docs/appendix_volume%202.pdf (accessed 12 December 2014).

18 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, pp. 9, 68–71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

19 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 31, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

20 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 69, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

21 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 69, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015)

Rent Assistance should be reviewed to determine appropriate levels of assistance and the best mechanism for adjusting assistance levels over time. Initial steps in this direction may be possible at little cost to the Budget.²²

22.17 The review noted further that rent assistance for parents should recognise their role in supporting young people beyond school to independence.²³

Effectiveness of CRA

22.18 The role and effectiveness of CRA was also a major topic raised in evidence before the committee.

Increase CRA

22.19 Evidence received by the committee was generally consistent with the findings of the earlier reviews. It recognised the valuable assistance that CRA provided to low-income renters and the continuing and growing gap between the amount of assistance provided and rising rents. For example, Ms Findlater Smith, National Council of Women of Australia, argued that CRA was far too low. She stated:

At \$80 a fortnight it is a little bit of help but it goes nowhere near far enough. If you are getting \$590 a fortnight plus \$80 and your rent is \$300 a week, what are you living on? That is taking away heating and all of the other running expenses you have. The trouble is that that gap is being picked up by emergency relief. So millions and millions of dollars are going to Anglicare, St Vinnies and the YWCA for emergency relief to pick up the mess for people who cannot afford to live.²⁴

22.20 Mr Flynn, Mission Australia, supported the longstanding call for an increase to the CRA. He argued that lifting CRA would 'probably be the fastest thing that you could do' to bring immediate short-term relief for households in extreme financial stress.²⁵ COTA was of the view that CRA often meant 'the difference between having and not having a home'. It observed, however, that the CRA had not kept up with the increases in private rents, particularly in metropolitan areas, and did not reflect the geographical difference in rents that people faced. It stated:

22 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

23 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

24 *Proof Committee Hansard*, 30 July 2014, p. 56.

25 *Proof Committee Hansard*, 10 November 2015, p. 29.

Whilst we see long term solutions for increasing the supply of affordable housing as critical, an increase in the CRA for the lowest income groups is an important measure as it would start to reduce the gap between the level of subsidy received by people in public housing and people in private rental who may have similar incomes and needs.²⁶

22.21 COTA was one of many organisations calling on the government to increase the CRA. It suggested an increase to the maximum rate of the CRA by 30 per cent.²⁷ Ms Phillips, Australian Council of Social Service, urged the government to increase financial support to low-income renters. She told the committee that CRA was 'not delivering enough support to ensure that low-income earners were not living in financial stress'.²⁸ The Council also suggested a 30 per cent increase to CRA which equated to a \$20-a-week rise at a cost of \$880 million for 2014–15, going up to \$920 million for 2015–16.²⁹

22.22 Likewise, the Tenants Union of Victoria highlighted the need for an immediate increase in rent assistance. In addition, it suggested a longer term view be taken about what role rent assistance played in the market and how it could be reshaped and reformed to provide a better housing affordability outcome.³⁰ It recommended increasing CRA by at least \$25 per week and subjecting the payment to a 'fundamental review'.³¹ According to the National Union of Students, Australians for Affordable Housing had undertaken some modelling, which suggested that while a \$25 increase in CRA was not the solution to the affordability problem, it was a realistic option considering budgetary concerns and the current financial climate around housing and housing affordability.³² Indeed, Australians for Affordable

26 *Submission 191*, p. 3.

27 *Submission 191*, p. 7.

28 *Proof Committee Hansard*, 10 November 2014, p. 25.

29 *Proof Committee Hansard*, 10 November 2014, p. 34. It should be noted that the former Department of Families, Housing, Community Services and Indigenous Affairs in an answer to a question on notice stated that 'The annual cost of increasing the maximum rate of RA by \$15 per week is \$596 million. The annual cost of increasing the maximum rate of RA by \$25 per week is \$932 million. These costings are indicative only, as they are based on the RA population at only one point in time'. Senate Community Affairs Committee, answers to Estimates questions on notice Families, Housing, Community Services and Indigenous Affairs Portfolio, 2011-12 Budget Estimates Hearings, Question No: 246.

30 Mr O'Brien, *Proof Committee Hansard*, 9 September 2014, p. 43.

31 *Submission 119*, p. 4 and *Proof Committee Hansard*, 9 September 2014, p. 42.

32 *Proof Committee Hansard*, 9 September 2014, p. 39. For details on the call for increasing CRA by 30 per cent see Australians for Affordable Housing, *Easing Housing Stress Budget Statement 2012–13*, p. 6, http://housingstressed.org.au/wp-content/uploads/2012/02/AAH_12_Memo_Federal-Budget-Statement-final_SD_060212.pdf (accessed 10 April 2015).

Housing indicated that a \$25 per week increase in CRA would provide relief to nearly 100,000 renters.³³

22.23 The National Union of Students (NUS) suggested increasing CRA by \$25 per fortnight, which would 'see a substantial proportion of students lifted out of housing stress and go towards alleviating the burden that rent places on many student budgets'.³⁴ NUS argued that a student's rental assistance should not be automatically cut when that student is in a shared accommodation arrangement.³⁵

Indexation of CRA

22.24 Mrs Ullman, National Seniors Australia, suggested that the value of CRA should be linked to movements in national rents, rather than CPI, which had not kept up with increases in rent.³⁶ In support of this view, Ms Phillips, ACOSS, argued that indexing CRA to CPI was an inappropriate and inadequate response and a review was required.³⁷ Mission Australia, was similarly definite in its view that, to be responsive, CRA had to move at a rate different from other income support payments in order to reflect the realities in the rental market.³⁸ Equality Rights Alliance urged an increase in the indexation of CRA.³⁹ Similarly, Mr Schrapel, Uniting Communities, was of the view that CRA needed to be indexed properly to housing costs rather than just to CPI and better targeted to areas where rental costs were very high. In his opinion, a supplement to rent assistance for people in those circumstances would allow them some relief.⁴⁰

CRA's responsiveness to different circumstances

22.25 Mr Schrapel thought there was potential to broaden the base for people on low incomes, not just for those relying on social security benefits.⁴¹ In the same context, Mr Walker, Department of Housing and Public Works, Queensland, noted that social housing tenants and residents of some retirement villages could not access CRA. In his view, CRA, as structured, was not sufficiently responsive to variations in household income and movements in market rents in particular, which meant that

33 Australians for Affordable Housing, *Easing Housing Stress Budget Statement 2012–13*, p. 6, http://housingstressed.org.au/wp-content/uploads/2012/02/AAH_12_Memo_Federal-Budget-Statement-final_SD_060212.pdf (accessed 10 April 2015).

34 *Proof Committee Hansard*, 9 September 2014, p. 36.

35 *Submission 82*, p. 5.

36 *Proof Committee Hansard*, 10 September 2014, p. 10.

37 *Proof Committee Hansard*, 10 November 2014, p. 31.

38 Mr Patrick Flynn, *Proof Committee Hansard*, 10 November 2014, p. 30.

39 *Proof Committee Hansard*, 10 November 2014, p. 20.

40 *Proof Committee Hansard*, 28 July 2014, p. 30.

41 *Proof Committee Hansard*, 28 July 2014, p. 30.

some households received assistance exceeding the need to make rent payments while others remained in rental stress even after receiving CRA payments.⁴² Dr Kazakevitch, Associate Professor Frost and Mr Borrowman supported the proposal to extend the rental assistance programs to reduce the incidence of rental stress and the effect of moving house.⁴³

Proposal for public housing eligibility for CRA

22.26 Mr Langford referred to the Commission of Audit's reasoning that, if the CRA were made available to those in public housing, there would be some preconditions on that. For example, the Commission of Audit foreshadowed the possible removal of some of NRAS funding.⁴⁴ Professor Winter also referred to one of the policy ideas canvassed by the Commission of Audit and the welfare reform review regarding making CRA available to public tenants with the Commonwealth moving out of the capital subsidy space. The Commonwealth would then assume the role of simply providing CRA. Professor Winter argued, however, that if the government wanted to grow the housing association sector then that decision would be counter to that objective. He stated further:

That financial discrepancy of public tenants not having access to Commonwealth rent assistance at this point in time is one of the reasons why state governments are looking to do stock transfers to the not-for-profit sector. If you do want to grow the housing association sector and you want to see stock transfer from the public housing sector to the housing association sector, I would keep the distinction between who gets CRA and who does not.⁴⁵

22.27 Professor Winter contended that if the housing associations were deemed to have a role in providing both affordable rental and shared equity home ownership then they needed support to grow. He observed:

One of the things that underpins their growth at the moment is that public housing agencies are transferring their assets slowly across to the housing association sector. One of the reasons they do that is there is not enough money coming into the public housing agencies. There are not enough subsidy streams coming in.⁴⁶

22.28 According to Professor Winter, if CRA were available to the public sector, the subsidy streams coming into the public housing agencies would be increased, which would slow down the stock transfer process.⁴⁷

42 *Proof Committee Hansard*, 10 September 2014, p. 43.

43 *Submission 23*, pp. 2–3.

44 *Proof Committee Hansard*, 28 July 2014, p. 33.

45 *Proof Committee Hansard*, 9 September 2014, p. 23.

46 *Proof Committee Hansard*, 9 September 2014, pp. 23–24.

47 *Proof Committee Hansard*, 9 September 2014, pp. 23–24.

Inflationary effects

22.29 Mr David Cant, Brisbane Housing Company, recognised the value of the CRA as a safety net. He also underlined the need to have measures to promote supply, noting that rent assistance on its own created more money chasing limited housing supply, which could drive up rents. In addition, he argued that rent assistance did not provide an incentive to an irresponsible landlord to improve standards, so it could be 'a subsidy to slum landlords'.⁴⁸

22.30 Ms Coleman suggested that simply putting some hundreds of millions of dollars into increasing rental assistance would just contribute to an upward pressure on prices, as had happened under the First Home Owners Scheme. According to Ms Coleman, when rent assistance is pushed up, state housing authorities automatically put the rent up by the amount of the increase so that they just absorb the net difference.⁴⁹ In her view, CRA would not necessarily lead to an increase in supply. She argued that consideration should be given to innovative approaches to using the economic levers the Commonwealth has 'to enhance the supply of housing rather than putting money into measures that would see more money chasing the limited amount of stock that is there at the moment'.⁵⁰

22.31 Mrs Julie Anne Morris, National Council of Women of Australia, supported this contention that landlords absorb increased rent assistance, suggesting that they had no incentive to keep rents down while the Commonwealth would top it up and keep it rising.⁵¹ While Mr Yates acknowledged the suggestions that CRA drove up rents because it puts more money into the system, he noted that it was clear that the most vulnerable group of pensioners in housing were those in the private rental market, who benefited directly from CRA. He also submitted that in the community housing space, CRA helped to increase supply because it made community houses more viable. Nonetheless, he drew attention to the fact that CRA had 'not in a large quantum increased for quite some time...'⁵²

22.32 Mr Pisarski noted proposals to raise the CRA because of its inadequacy in meeting the needs of low income earners in the rental market. He also recognised the potential for CRA to drive up rents, noting that if CRA were increased without a corresponding supply-side strategy, then that would exert inflationary pressure overall.⁵³ He explained further:

48 *Proof Committee Hansard*, 10 September 2014, p. 61.

49 *Proof Committee Hansard*, 30 July 2014, p. 59.

50 *Proof Committee Hansard*, 30 July 2014, p. 56.

51 *Proof Committee Hansard*, 30 July 2014, p. 59.

52 *Proof Committee Hansard*, 28 July 2014, p. 27.

53 *Proof Committee Hansard*, 10 September 2014, p. 35.

If we are only putting Commonwealth rent assistance on the table, without doing something on the supply side of that affordable housing equation, then we are arguably creating an inflationary impact. There is not a lot of documented evidence around that, but there is anecdotal stuff around it, and it makes a lot of sense.⁵⁴

22.33 Ms Phillips argued, however, that CRA recipients do not comprise a significant proportion of the overall rental market that would exert a significant inflationary effect across the market.⁵⁵ Even so, she agreed that there may be some sub markets with a higher concentration of CRA recipients where there may be some effect. Although she conceded that a rise in CRA was an 'imperfect proposal', she argued that in the absence of supply flowing into the system at the required rate, the proposal to increase CRA was the best measure to alleviate very difficult circumstances.⁵⁶ Others also regarded CRA as an imperfect solution—a band aid—but in light of an intractable supply problem they accepted that it was vital in assisting people to meet the basic cost of living.⁵⁷ According to Mr Schrapel the suggestion that CRA ratchets up prices and the extent to which it did so derived more from anecdotal evidence rather than any hard and fast data. He also considered the supply side of affordable housing and informed the committee that:

Our gut feeling is that if you just increase CRA as the only lever that you are using to try to support low-income households that are in housing distress then in the short term that is likely to inflate some of the rents and allow some landlords to put prices up. So there would need to be some controls over that.⁵⁸

22.34 Consistent with many other witnesses, he indicated that there needed to be a corresponding focus on supply.⁵⁹ In other words, if supply remained constant, while the amount that people could pay in rent increased, then rents would go up.

22.35 Mr Schrapel did wonder, however, how much of that reduction of 20,000+ public housing properties could have been saved in South Australia if public housing tenants had qualified for rent assistance in the same way that private renters were eligible.⁶⁰ He noted that effectively CRA goes into the pockets of those who rent in the private sector.⁶¹ In his view, there was a need to re-look at the Commonwealth rental assistance program and how it was targeted. He conceded there was a problem

54 *Proof Committee Hansard*, 10 September 2014, p. 35.

55 *Proof Committee Hansard*, 10 November 2014, p. 30.

56 *Proof Committee Hansard*, 10 November 2014, p. 30.

57 See for example, *Proof Committee Hansard*, 10 November 2014, p. 30.

58 *Proof Committee Hansard*, 28 July 2014, p. 33.

59 *Proof Committee Hansard*, 28 July 2014, p. 33.

60 For Mr Schrapel's reference to the 20,000 public houses see paragraph 14.10.

61 *Proof Committee Hansard*, 28 July 2014, p. 33.

in simply increasing CRA, in terms of it becoming a price stimulant and inflating rentals. Nonetheless, he acknowledged, that when people were paying such high rents and not having disposable income to meet their other needs something needed to be done to recalibrate CRA.⁶²

22.36 In respect of the proposal to make CRA available to the public housing sector, Mr Searle, Department of Housing, WA, reminded the committee that CRA was income support and that it did nothing for supply. He explained that the dollars Western Australia received from the Commonwealth were about capital supply—\$150 million through NAHA. He explained that, if CRA were to be applied to public housing tenancies, Western Australia would gain between \$80 to \$90 million but lose \$150 million if the Commonwealth withdrew financial assistance to the state through the NAHA—a cut of \$60 to \$70 million. The loss would vary from state to state.⁶³

Other forms of rental assistance

22.37 There are other forms of rental assistance. For example, the Western Australian Government offers no interest bond loans to help people access the private rental market.⁶⁴ Dr Wendy Stone noted that government cash payments were a means of providing households with rent assistance. In her view, these payments, while necessary, were not sufficient to enable tenants to manage the structural conditions in which they were living and the problems they created. From Dr Stone's perspective, in addition to private rental assistance in the form of, for example, bond assistance, there was the need to acknowledge critical reforms in other areas. She argued:

...if we only address household needs in the form of rent assistance and private rent assistance without structural reform in tax and other systems 'we just keep slapping on bandaids to a problem and we are not addressing the root cause'.⁶⁵

Income stream for community housing providers

22.38 Dr Burgmann explained that in the private rental market, the tenant retains the CRA but in community housing the full amount of CRA that a tenant is entitled to is transferred to the community housing provider. The provider could then use this money for additional housing or for services.⁶⁶ Thus, the CRA not only assists low income-earning renters by easing the burden of paying high rents but is also an important source of revenue for community housing providers. Ms Croce informed the committee that CRA comprises about one-third of most providers' rental income and is often used for repairs and maintenance and for improving services for tenants. She

62 *Proof Committee Hansard*, 28 July 2014, p. 30.

63 *Proof Committee Hansard*, 11 November 2014, pp. 9–10.

64 *Proof Committee Hansard*, 11 November 2014, p. 6.

65 *Proof Committee Hansard*, 9 September 2014, pp. 11–12.

66 *Proof Committee Hansard*, 10 November 2014, p. 16.

indicated that CRA assists larger providers to grow their portfolios by using it to leverage for private financing so they can build more dwellings.⁶⁷

22.39 Mr Flynn also explained that access to CRA was key to the rental viability of community housing providers and enabled them to contribute to the supply side response by ensuring a sustainable community housing sector. He indicated that an increase in CRA would have a positive effect on the ability of community housing providers to attract finance to build more properties: that CRA was an important part of the viability of community housing providers.⁶⁸

Certainty

22.40 The committee has referred to the importance of policy certainty in the housing and homelessness sector, which also applies to rental assistance. Ms Croce spoke of the sector's need to be confident that CRA was going to continue to be available to community housing providers.⁶⁹

Conclusion

22.41 Unequivocally, evidence confirmed the fact that low-income earners need rental assistance to access affordable and appropriate housing and that they were becoming increasingly reliant on this assistance. Moreover, a number of comprehensive reviews have recognised that for some period of time the rate of CRA has continued to slip behind the rate of rent increase. Indeed, as far back as 2009, the call for an increase in CRA was clear and definite. Evidence presented to this inquiry highlighted this growing gap.

22.42 Evidence also supported the grounds for a change in the way the CRA is indexed and favoured tying increases in CRA to the CPI for rents. In addition, a number of witnesses drew attention to the fact that CRA could be better targeted to take account of the rental burden borne by people living in areas or regions experiencing very high rents or low-income earners in rental stress but ineligible for assistance.

22.43 The committee was not convinced, however, of the merit of the proposal by the Commission of Audit to redirect funding from NAHA and NRAS to enable a broadening of the eligibility for CRA to public housing tenants. In this regard, the committee notes the concerns of the Western Australian government that a shift in funding to CRA and away from NAHA and NRAS could result in a loss of \$60 to \$70 million in Commonwealth funding to that state. Clearly any shift of funding needs to ensure that the overall funds allocated to the states for affordable housing increases

67 *Proof Committee Hansard*, 10 November 2014, p. 10.

68 *Proof Committee Hansard*, 10 November 2014, p. 31.

69 *Proof Committee Hansard*, 10 November 2014, p. 10.

rather than decreases and that the effort is directed toward increasing the supply of affordable rental properties.

22.44 The committee also notes the concern that a rise in CRA could have an inflationary effect on rents if the supply of affordable rental properties remained constant. This situation of an inadequate supply of affordable housing is an area that requires immediate and definite government intervention, otherwise assistance such as CRA will serve simply as a band aid, albeit much needed, to a much deeper and serious shortfall in the rental market.

Recommendation 39

22.45 The committee recommends that the Australian Government:

- **review the eligibility criteria for CRA to ensure that it is targeted at those most in need;**
- **review the method of indexing CRA with a view to retaining its adequacy; and**
- **review the adequacy of CRA.**

Chapter 23

Investment in affordable housing

23.1 Evidence presented to this inquiry indicated strongly that renting must be recognised as a mainstream, and for some a permanent, form of tenure in Australia's housing system. As a consequence, affordable rental housing must be placed on Australia's national policy agenda as a key issue to address poverty.¹ Indeed, the increasingly tight and expensive private rental sector is locking low- to moderate-income earners out of affordable and appropriate housing. This situation indicates market failure and suggests that market solutions to low cost housing will simply not emerge naturally: that there is a clear need to find ways to attract private investment into low cost and social housing.² But currently, without government incentives, affordable housing does not tend to appeal to private investors.

23.2 In this regard, an AHURI investigative panel of experts on rental housing and institutional investment found that significant volumes of public and private finance would be required to meet the projected need for additional rental housing in Australia, which could not be met from existing suppliers alone.³ Evidence presented before the committee similarly highlighted the needed for greater investment in affordable housing. Clearly, left to its own devices, the rental market will not deliver affordable housing for low- or moderate-income earners.⁴

23.3 In this chapter, the committee considers the role of government as an enabler and investor in providing affordable rental housing.

Government sector

23.4 The vast bulk of social housing in Australia is public housing, much of which was built between 1945 and 1980, provided by state and territory governments and

1 See, for example, National Foundation for Australian Women ACT, *Submission 38*, p. 4.

2 See for example, Mr Cameron Murray, *Submission 17*, pp. 8 and 12.

3 Vivienne Milligan, Judith Yates, Ilan Wiesel and Hal Pawson with Carrie Hamilton, *Financing rental housing through institutional investment Volume 1: outcomes from an Investigative Panel*, for the Australian Housing and Urban Research Institute at University of New South Wales, March 2013, p. 2.
http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri_71016_fr1&redirect=true (accessed 12 January 2015).

The Investigative Panel comprised 'hand-picked experts from the banking and financial investment sectors, affordable housing providers (for-profit and not-for-profit) and affordable housing industry specialists, together with nominated senior officials of interested Commonwealth and state government agencies' (p. 9).

4 Mr Mills, City of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 30.

financed through 'long-term, low-cost loans via the Commonwealth Government'.⁵ This report has drawn attention to the shrinking pool of public houses in Australia and the deteriorating state of many of the dwellings. Yet the demand for public housing continues to mount.

Not-for-profit sector

23.5 The trend over recent years has seen the public sector withdraw from direct funding of public housing and a heavier reliance placed on the not-for-profit sector to assume a greater role in providing social housing. The Queensland Department of Housing and Public Works noted that the non-government sector had an increasingly important role to play in developing and delivering affordable housing and housing assistance services.⁶

23.6 The Hobsons Bay City Council was just one of the many submitters that recognised the contribution community housing makes to accommodate both low-income and moderate-income earners as well as groups with particular housing needs. Even so, it was of the view that the partnering of the community sector with government to provide affordable housing would 'require a funding commitment from both federal and state governments'.⁷ Indeed, it underlined its belief that 'in terms of equity and fairness, government must take responsibility for ensuring that a supply of affordable housing was available for those most vulnerable'.⁸

23.7 In its submission, COTA noted the importance of renewed investment in social housing to increase the stock of housing for low income households.⁹ While it recognised the need to bring about social and economic renewal in the affordable housing market, it acknowledged that to do so required investment. Mr Schrapel thought that it would be difficult in the short term to redevelop neglected public housing and therefore some level of public investment was required.¹⁰ The committee has made a number of recommendations designed to ensure that the public sector continues to invest in affordable housing. But increasingly government and the not-for-profit sectors are looking to the private sector to also contribute to improving access to affordable housing in Australia.

5 See Dr Julie Lawson and Professor Mike Berry, *Submission 24*, p. 10; Professor Frank Stilwell, *Submission 25*, pp. 4–5.

6 Queensland Government, *Submission 215*, p. 4.

7 *Submission 39*, p. 8.

8 *Submission 39*, p. 8.

9 *Submission 191*, p. 4.

10 *Proof Committee Hansard*, 28 July 2014, p. 36.

Private investment

23.8 Mr Myers, National Affordable Housing Consortium, voiced the view of a number of submitters when he stated that the not-for-profit sector did not have the ability to attract the level of resources required to fix Australia's affordable housing problem. He thought that they were doing a great job of leveraging but noted that the leveraging was coming in at 'perhaps 15 per cent' with cost bases rising probably as fast'. He suggested that both the finance and resources coming in through institutional investment must be considered, as well as how government might support that mechanism.¹¹ National Shelter also highlighted the need to attract large scale institutional investors into the affordable housing market.¹²

23.9 While recognising that the community housing not-for-profit sector was a significant part of the affordable housing equation, Mr Pisarski likewise argued that long-term institutional investment was required in residential property per se, not just the affordable end of it. He referred to the lack of interest displayed by the institutional investors in the residential rental market:

Generally, institutions in Australia invest in commercial rather than residential property... You do need to get that large scale to create the sorts of long-term tenancies that would be in everybody's interest. But we have this history of mum-and-dad investors, by and large propped up by negative gearing and tax treatments. Even Ken Henry's idea of a 40 per cent income savings deduction was a way of equalising treatment between investment types so that then you would have been able to agglomerate small investment. I do not need to buy a whole house but I might still want to invest in property. So I could put \$5,000, \$10,000 or \$20,000 into a residential property investment portfolio and that can invest on my behalf.¹³

23.10 Mr Langford, Junction and Women's Housing, supported the contention that private investment was needed to drive that renewal in social housing where government had left a funding void. He similarly pointed out that, by and large, individuals owned the majority of private rental in Australia and referred to the barriers holding back institutional and private sector investors from moving into the affordable housing space. He noted that they would be looking for more stable returns. In his view, partnerships were required to attract long-term investment.¹⁴

23.11 Dr Lawson and Professor Berry also asserted that access to private finance was crucial to not-for-profit housing agencies aspiring to develop or acquire new stock. In this context, they argued, however, that Australian efforts orchestrated by

11 *Proof Committee Hansard*, 10 September 2014, pp. 53–54.

12 *Submission 78*, p. 23.

13 *Proof Committee Hansard*, 10 September 2014, p. 40.

14 *Proof Committee Hansard*, 28 July 2014, pp. 34, 44.

various governments 'to attract institutional investment into rental housing have been "piecemeal and fragmented" or have lacked essential policy support'.¹⁵ They stated:

National leadership can be demonstrated by governments acting as both an enabler and investment partner. In housing this could entail tax incentives for additional affordable and sustainable housing (via the continuation of a refined NRAS) plus government guarantees backing investment to reduce perceived risk, and equity contributions in the form of subordinated public loans or government land.¹⁶

23.12 In their assessment, such strategic actions would 'channel lower cost institutional investment to appropriately regulated landlords serving the housing needs of those households not met by current market processes'.¹⁷

Interest in higher end of rental market

23.13 The prospect of low returns stands out as one of the major disincentives to invest in affordable housing. The AUHRI investigative panel of experts highlighted the fact that institutional investors were deterred from investing in rental properties because they 'heavily discount capital gains and expect higher rental yields than those typically applying in the rental investment market'.¹⁸ In respect of low returns, rental yields have hovered around the 4 per cent mark for the last decade.¹⁹

23.14 The Department of Social Services agreed with the view that institutional investors have little interest in affordable housing. Despite recognising the importance of private investment in affordable housing, the department noted that:

To date, efforts to attract a significant level of institutional investment into affordable housing have been unsuccessful, primarily due to the return offered on these investments. Given the fiscal constraints on all levels of government, necessary changes will need to be considered to ensure that private and institutional investors are able to take on a greater role in the provision of affordable housing.²⁰

15 *Submission 24*, p. 9.

16 *Submission 24*, p. 8.

17 *Submission 24*, p. 8.

18 Vivienne Milligan, Judith Yates, Ilan Wiesel and Hal Pawson with Carrie Hamilton, *Financing rental housing through institutional investment Volume 1: outcomes from an Investigative Panel*, for the Australian Housing and Urban Research Institute at University of New South Wales, March 2013, p. 2, http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri_71016_fr1&redirect=true (accessed 12 January 2015).

19 Christopher Kent, 'Recent Developments in the Australian Housing Market' Reserve Bank of Australia, Address to the Australian Institute of Building, 14 March 2013, <http://www.rba.gov.au/speeches/2013/sp-ag-140313.html> (accessed 12 January 2015).

20 *Submission 198*, p. 29.

23.15 Retirement villages illustrate this point. Mr Yates, COTA, referred to the changes in the retirement village industry over the past couple of decades, which have seen the industry move more upmarket because 'it could not necessarily see how to make a lot of money out of lower income people, although there are quite a lot of pensioners in current stock'.²¹

23.16 More broadly, Mr Doss, Brisbane City Council, observed that the industry appeared to be providing housing more at the higher end of the market rather than at the affordable end, particularly in Brisbane. In his view, this preference to invest in the higher end market was to do with profit margins. He gave an example:

...when we ran a housing affordability scheme a few years ago which included federal government money we had a lot of trouble attracting developers to undertake that scheme. That gave them substantial reductions in infrastructure charges—up to 50 per cent reduction in some cases. But that meant that the product had to be rented at a certain level. We found that we would go chasing to try to get people into that scheme. We ended up having to hand money back, because in the market there were better profit margins in the higher end of the market.²²

23.17 The Brisbane City Council found that players such as the Brisbane Housing Company and others have had 'to be the ones who go in there and provide an alternative to the market, but they have a specific mandate to be able to do that'.²³

Brisbane Housing Company Ltd

23.18 The Queensland state government and the Brisbane City Council worked together to establish the Brisbane Housing Company because there was a particular concern about the loss of affordable housing in inner Brisbane. Mr David Cant, CEO of the Brisbane Housing Company, explained:

Public housing did not have much stock in inner Brisbane; so, as the demographic of people in need was switching from families to single people, it was felt there was a particular need to be addressed.²⁴

23.19 The company was incorporated as an independent charity in 2002 and was originally planned to deliver 400 homes over four years. It has successfully delivered 1,500 homes of which it retains 1,200. Over time, the company has varied the types of dwellings and has engaged in mixed-tenure developments, where, 'as the density of dwellings in inner Brisbane has risen, it has been less appropriate to make it all

21 *Proof Committee Hansard*, 28 July 2014, p. 22.

22 *Proof Committee Hansard*, 10 September 2014, p. 4.

23 *Proof Committee Hansard*, 10 September 2014, p. 4.

24 *Proof Committee Hansard*, 10 September 2014, p. 60.

affordable housing'.²⁵ Therefore, as stated by the CEO, 'we have made a virtue of necessity and done some complexes where we have sold some apartments as well'.²⁶

23.20 Mr Doss noted that the Council provided some seed funding for the Brisbane Housing Company as well as access to sites within Brisbane. He noted that initially, the aim was to deliver housing to the social and affordable housing part of the market. According to Mr Doss, the company learnt some lessons from delivering entire buildings of social and affordable houses. He maintained that best practice dictated that 'instead of having entire complexes of one type, you salt and pepper different forms of housing through development areas', which fits with the 15 per cent target adopted in Western Australia and under consideration by Economic Development Queensland (EDQ). Mr Doss commented:

So Brisbane Housing Company has now moved on to where it will provide a number of different housing choices within its developments, from the high end to middle of the road to affordable to social housing as well, and those products work quite well...It also provides appropriate support services within those developments.²⁷

23.21 Mr Cant referred to the need to persuade people who invest in property to divert their funds into affordable housing. With regard to the Brisbane Housing Company, he was pleased to be able to say that:

...by getting well-designed buildings that are well located and with strong on-site management, we have actually persuaded them that it is a good place to invest their money. Some have been owner occupied, some have been investors buying a market for sale unit and some have been NRAS investors.²⁸

23.22 Mr Cant explained:

Privatisation is normally the privatising of profit. We are a not-for-profit. The unstated premise of all my remarks is that these disposals are to charities or not-for-profits—be they not fully charities, but I think they would all be charities—that retain the portfolio for the community's benefit. We only house people from the public housing waiting list in our rental properties. The stuff we sell we might sell in the open market, but the things we rent out we rent only to people under the single register in Queensland.²⁹

23.23 Mr Walker stated that the Queensland Department of Housing and Public Works was of the view that the Brisbane Housing Company was a good model among

25 *Proof Committee Hansard*, 10 September 2014, p. 60.

26 *Proof Committee Hansard*, 10 September 2014, p. 60.

27 *Proof Committee Hansard*, 10 September 2014, pp. 5–6.

28 *Proof Committee Hansard*, 10 September 2014, p. 60.

29 *Proof Committee Hansard*, 10 September 2014, p. 62.

many good models.³⁰ Professor Beer told the committee that the Gold Coast Housing Company had also been very successful.³¹

23.24 Clearly, programs are needed to create opportunities for institutional or corporate investment into private rental. The Brisbane Housing Company and the Penny Lane Key Worker apartments are both examples where partnerships between government, community housing providers and private investors have worked to provide affordable housing. But, as noted earlier, there must be incentives to attract private investment.

Incentives for investors

23.25 The AHURI panel of experts on rental housing and institutional investors found that:

Financial incentives and credit support will be essential to achieve increased supply at the affordable end of the market, to overcome investor perceptions of risk and to meet their yield requirements. The impact of government support is demonstrated by the way that NRAS has catalysed increasing specific interest from the finance industry in investment in the supply of affordable rental housing.³²

23.26 There are numerous government backed schemes that could be used to attract investors into the affordable housing markets. Youth Affairs Council of Western Australia mentioned promoting private engagement in social housing through protected savings and loan circuits (France), guaranteed housing association loans (Netherlands), providing tax incentives to investors of special purpose bonds (Austria) and via low-income housing tax credits (US).³³ Professor Beer thought it was worth noting that in the United States of America (US) a lot of affordable housing was provided privately because of tax breaks for developers if they provided affordable housing. In brief, he explained that developers there might produce 200 multifamily housing units but 20 would be developed as affordable housing in order to attract substantial tax breaks for the overall development. In his words, such a tax arrangement would 'be important for them in terms of their feasibility'.³⁴

30 *Proof Committee Hansard*, 10 September 2014, p. 50.

31 *Proof Committee Hansard*, 28 July 2014, p. 17.

32 Vivienne Milligan, Judith Yates, Ilan Wiesel and Hal Pawson with Carrie Hamilton, *Financing rental housing through institutional investment Volume 1: outcomes from an Investigative Panel*, for the Australian Housing and Urban Research Institute at University of New South Wales, March 2013, p. 3, http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri_71016_fr1&redirect=true (accessed 12 January 2015).

33 *Submission 166*, pp. [5–6].

34 *Proof Committee Hansard*, 28 July 2014, p. 17.

23.27 Mr Schrapel, Uniting Communities, agreed with the view that in the end engaging the private sector came to an investment issue and referred to incentives, including taxation that would allow these schemes to flourish.³⁵ Dr Lawson and Professor Berry noted that the primary purpose of any financing instrument should be:

...to attract larger volumes of appropriate investment, under improved terms and conditions to those that exist currently to ensure the supply of decent quality, secure and affordable rental housing. International research demonstrates that raising funds at this scale will require a dedicated financial mechanism and appropriate institutions that are fit for purpose to raise and distribute funding.³⁶

23.28 The committee has written at length on NRAS as an effective incentive encouraging the private sector to invest in affordable housing but, as a number of submitters argued, this scheme on its own was insufficient to meet the growing demand. Dr Lawson and Professor Berry referred to the housing supply bonds (HSB) proposal, which has been developed with funding from AHURI working with industry specialists both in Australia and Europe.³⁷

Housing supply bonds

23.29 In 2011, the Senate Economics References Committee considered the merit of introducing social bonds as a means of attracting private investment into Australia's social economy. It recognised that the development of a social bond market in Australia 'could bring significant finance to the social economy and thereby relieve the government of some social infrastructure costs.' It recognised, however, that the lower rate of return on a social bond coupon presented challenges when competing in the commercial market. The committee formed the view that government support was required to 'catalyse this market' and recommended that further exploration of ways to create incentives to invest in a social bond market be undertaken.³⁸

23.30 In its response to the committee's recommendation, the Australian Government noted that the uptake of social bonds in Australia had 'typically been limited to investors with a direct or personal connection with a specific social venture'. It suggested that before considering tax concessions, more needed to be done to understand the use of social bonds and the circumstances in which they could be a viable option for encouraging social investment. It noted further:

35 *Proof Committee Hansard*, 28 July 2014, p. 35.

36 *Submission 24*, p. 19.

37 *Submission 24*, p. 19.

38 Senate Economics Committee, *Investing for good: the development of a capital market for the not-for-profit sector in Australia*, November 2011, p. 156, http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed%20inquiries/2010-13/capitalmarket2011/index (accessed 1 April 2015).

Given social impact bonds are complex instruments; further consideration is being given to some of the potential challenges associated with their implementation. The Government also recognises that social impact bonds are only one type of social investment tool amongst a range of new and emerging products.³⁹

23.31 In May 2012, after extensive research and consultation, AHURI published a report on HSBs. AHURI informed the committee that recent policy interest had focused on the housing bonds model, pioneered in Austria, which could be effective at leveraging finance for affordable housing. It explained that the Austrian Housing Construction Convertible Bonds scheme had 'been found to be popular among risk averse investors; an efficient scheme for capturing long-term savings; and, given the modest tax incentive, very cost effective'.⁴⁰

23.32 A 2012 AHURI study recommended a suite of HSBs with each bond type having risk and return characteristics and enhancements designed to attract different potential investors. According to the study:

The HSBs proposed are intended to provide a standardized instrument for retail and institutional investors, to encourage investment in affordable rental housing and to keep at arm's length the respective roles of investor in, and provider of, affordable housing. The bonds are issued by an intermediary, not by individual providers, in order to achieve this standardisation. The funds raised are then on-lent to providers.⁴¹

23.33 The creation of a specialist financial intermediary (or intermediaries) to channel raised funds towards affordable housing delivered by registered providers would be central to the financial architecture proposed to deliver the HSBs. The role of this specialist intermediary would be 'to link suppliers of capital with appropriate investment opportunities and to create aggregation benefits and efficiencies through lower transaction and search costs'. The financial intermediary would also assist in making providers 'investment ready'.⁴²

23.34 The proposed three HSBs matched to each investor segment are outlined in the following table:

39 Government Response, Senate Economics References Committee Report—*Investing for good: the development of a capital market for the not-for-profit sector in Australia*, June 2012, p. 9, http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed%20inquiries/2010-13/capitalmarket2011/index (accessed 24 February 2015).

40 *Submission 93*, p. 29.

41 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, AHURI Final Report No. 188, Australian Housing and Urban Research Institute, RMIT Research Centre UNSW-UWS Research Centre, May 2012, p. 63, http://www.ahuri.edu.au/publications/download/ahuri_30652_fr (accessed 12 January 2015).

42 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, p. 64.

Table 23.1—Housing Supply Bonds⁴³

Bond type	Characteristics and enhancements	Investor segment
AAA Housing Supply Bond	A fixed interest, long-term (up to 10 years) AAA-rated bond—implying need for a government guarantee.	Super fund managers (15% tax rate)
Tax Smart Housing Supply Bond	A fixed term, fixed interest (or indexed) lower yield long-term bond with a tax incentive to generate a competitive after-tax yield.	Retail investors (various tax rates)
NAHA Growth Bond	A zero interest bond that converts a direct grant into a long-term revolving loan.	Governments

23.35 The AHURI report also recommended a number of specific regulatory measures to reduce risks, including:

- ensuring that standards of financial auditing comply with eligibility for funding; and
- a sustainable business model and designated tax privileges.⁴⁴

23.36 According to the report, performance based reporting 'must be sufficiently robust to ensure adherence to intended goals and appropriate sanctions must be in place to reinforce good performance'.⁴⁵

23.37 In concluding, the AHURI report suggested that the HSBs proposal was 'now ready for more detailed refinement and development'. To do so, the report recommended that as part of the implementation strategy, a task force be established. This would be:

...a collaborative government–industry–third sector task force to steer and coordinate five expert groups with the overall goal of developing and refining the HSB concept, based on the broad proposal contained in the

43 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, p. 5.

44 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, AHURI Final Report No. 188, Australian Housing and Urban Research Institute, RMIT Research Centre UNSW-UWS Research Centre, May 2012, p. 5, http://www.ahuri.edu.au/publications/download/ahuri_30652_fr (accessed 12 January 2015)

45 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, AHURI Final Report No. 188, Australian Housing and Urban Research Institute, RMIT Research Centre UNSW-UWS Research Centre, May 2012, p. 5.

report... [Its] core focus 'should be to develop a tradable housing bond and contribute directly to the plan for the enhanced NAHA with advice on consequential policy settings, public funding, legislative requirements and governance'.⁴⁶

23.38 It is worth noting that AHURI researchers continue to build on their work developing a model that would attract and channel private investment towards affordable housing. For example, in their submission, Dr Lawson and Professor Berry proposed the Affordable Housing Finance Corporation Model, which, they described as 'simpler than the HSB approach'. This proposal was 'grounded in extensive national research of industry stakeholders and successful international experience'.⁴⁷

23.39 A number of witnesses supported the introduction of affordable housing bonds as a special purpose financial instrument to attract investment in affordable rental housing. For example, the Queensland Council of Social Service suggested that developing affordable housing bonds was an option to promote greater private sector investment in affordable housing. According to the council, the concept of social bonds was well-grounded and had been used internationally to encourage investment in affordable housing.⁴⁸ In its view:

Affordable Housing Bonds would complement and extend existing public subsidies, such as NRAS, to increase the supply of affordable housing over the long-term.⁴⁹

23.40 Mr Brett Petersson described the AHURI proposal for tradeable bonds as 'a sound proposal', which had 'received significant support from industry and financiers'.⁵⁰ The City of Boroondara also cited AHURI's research on HSBs and the affordable housing finance corporation model for Australia. In its opinion, AHURI's model for HSBs proposed:

...a safe, effective and innovative way to increase social housing stock managed by registered Community Housing Providers (CHP) and funded through a strong and low-risk investment framework.⁵¹

23.41 According to the City of Boroondara, all of the schemes reviewed by AHURI in its international study of housing guarantee schemes showed a zero default rate and no call had yet been made on the government guarantees. The City of Boroondara

46 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, AHURI Final Report No. 188, Australian Housing and Urban Research Institute, RMIT Research Centre UNSW-UWS Research Centre, May 2012, p. 7.

47 *Submission 24*, p. 27.

48 *Submission 175*, p. 20.

49 *Submission 175*, p. 20.

50 *Submission 56*, p. 14.

51 *Submission 69*, p. 15.

stated further that this default rate was due largely to the 'supportive role of Government in bolstering the equity position of housing providers and their revenue stream and the financial management and monitoring regimes guiding housing sector organisations'. In the City of Boroondara's view, this arrangement provided a 'sustainable and sound business model' which was 'first and foremost the strongest line of defence protecting any Government guarantee, growing supply capacity amongst providers and easing access to lower cost larger volumes of investment'.⁵²

23.42 The Institute for Social Research, Swinburne University of Technology noted the failing private rental sector, in terms of security, supply and affordability, and the 'great need' to rebuild Australia's social housing sector. In its view, much of the growth could be funded by savings in other areas (negative gearing, FHOS) but also by some form of affordable housing supply bonds as proposed by Dr Lawson and Professor Berry.⁵³

23.43 National Shelter referred to round tables held in 2012 and 2013 involving approximately 150 participants, who broadly supported the introduction of an affordable housing supply bond to attract the significant investment potential of superannuation and equity funds.⁵⁴

Committee view

23.44 Clearly, the comprehensive work undertaken by AHURI on housing supply bonds provides a solid, well researched body of work that now warrants the Australian Government giving far more serious consideration to the introduction of HSBs or similar vehicles designed to attract investment affordable housing in Australia.

Recommendation 40

23.45 The committee recommends that the Federation White Paper process give due consideration to the proposal for the introduction of housing supply bonds using AHURI's research as a starting point for its consideration.

23.46 The committee also recommends that the Australian Government establish a cross-sectoral high level industry and government Housing Supply Financing Task Force, as proposed in the AHURI report. It would provide advice to governments on the potential for a housing supply bond in Australia and investigate other mechanisms for private investment.

Options

23.47 Clearly the HSB is only one means of attracting private investment into the affordable housing market. It should be noted that the AHURI expert panel expressed

52 *Submission 69*, p. 16.

53 *Submission 86*, pp. [8–9].

54 *Submission 78*, p. 22.

considerable interest in the housing supply bonds proposal which was 'consistent with housing being seen as an infrastructure-type investment'. Even so, the expert panel saw housing supply bonds 'as a medium rather than short-term solution because of the inevitable delays in designing them and in establishing the institutional environment needed to support their delivery'. According to the expert panel:

There was a sense of urgency for more immediate action, specifically around the unallocated NRAS incentives, and a commitment to a minimum supply target for new rental housing as an indicator of the scale of opportunity that government was seeking to generate.⁵⁵

23.48 At the National Shelter 2012 and 2013 round tables, a number of options were discussed including the 'housing supply bond', as well as an 'infrastructure bond' and an expanded and revised NRAS. National Shelter observed that common to all these options was an acceptance of the need to attract substantial investment into affordable housing to alleviate the current lack of supply. National Shelter identified a number of matters that would need to be addressed to secure greater institutional investment in affordable housing:

- certainty from government, particularly the need for bi-partisan or multi party support;
- scale of investment including government backed opportunities to enable institutions to invest \$500m per annum using a portfolio approach;
- reduction of financial risk for institutions; this may require the Commonwealth to underwrite a component of debt, if not all;
- ability for liquidity of investment;
- government equity and government credit enhancement to assist with consistent and predictable yields as a yield gap does exist;
- revising NRAS to improve its workability including for scale investors, fix aspects of its tax treatment and provide ongoing funding certainty to ensure a pipeline of supply;
- development of an investment scheme that does not require investors to fund property development; and
- recognition that the requirements of institutional investors differ from banks. For example, banks prefer strata development but institutions prefer lower risk management arrangements such as multi-unit residential that are all rental.⁵⁶

55 Vivienne Milligan, Judith Yates, Ilan Wiesel and Hal Pawson, *Financing rental housing through institutional investment*, Volume 1: outcomes from an Investigative Panel, AHURI Final Report No. 202, March 2013, p. 41, http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri_71016_fr1&redirect=true (accessed 12 January 2015).

56 *Submission 78*, pp. 22–23.

23.49 As noted throughout part II of the report, there was also general acceptance that public funding would be needed to continue to assist in the provision of affordable housing. For example, National Shelter acknowledged that while there was support for attracting private investment into affordable housing, it should not replace government funding. It accepted that while private investment should be used to accelerate affordable housing outcomes, government funding, through a subsidy, would still be required for social housing. National Shelter also suggested that the introduction of private investment mechanisms, such as supply bonds, would also supplement and provide alternatives to existing private rental investment measures, such as negative gearing or capital gains tax.⁵⁷ Together with Shelter WA, it recommended the creation of vehicles such as unit investment trusts (in which investors can invest in the overall fund instead of individual properties) and Affordable Housing Bonds for attracting and managing institutional investment in rental housing.⁵⁸

23.50 It is important to note that the 2012 AHURI study on HSBs also suggested that HSBs were not intended to replace existing forms of housing assistance for affordable rental housing, such as that provided by NRAS and CRA, and under NAHA. It stated:

Instead, they aim to complement and extend the value of such public subsidies in order to increase the long-term supply of affordable housing. HSBs of themselves will not deliver affordability outcomes for tenants regardless of their circumstances. Assistance currently provided through NRAS and CRA is still needed to ensure affordability outcomes for tenants of affordable rental housing and to assist with repayment of the bonds over their (presumed 10-year) life span.⁵⁹

23.51 As noted earlier, a number of witnesses referred to other mechanisms designed to attract private investment into the affordable housing sector including tax incentives to boost the supply of affordable housing. Some have already been introduced in Australia including NRAS, but other suggestions are drawn from overseas, including protected savings and guaranteed housing loans and, as considered at length by the committee, housing supply bonds.⁶⁰

57 *Submission 78*, p. 23.

58 *Submission 78*, p. 11.

59 Julie Lawson, Vivienne Milligan and Judith Yates, *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?*, AHURI Final Report No. 188, Australian Housing and Urban Research Institute, RMIT Research Centre UNSW-UWS Research Centre, May 2012, p. 6, http://www.ahuri.edu.au/publications/download/ahuri_30652_fr (accessed 12 January 2015).

60 See paragraphs 23.28–23.29.

Conclusion

23.52 Without doubt significant amounts of public and private finance will be required to fill the growing shortfall of affordable rental properties in Australia. Investment is not meeting current demand, let alone projected needs. The Australian Government has available to it any number of levers to attract much needed private investment in the supply of affordable rental properties. The committee has considered and made recommendations in respect of taxation incentives, schemes such as NRAS and HSBs. It has looked at the role of community housing providers and the partnerships they can form with private enterprise to develop affordable housing. These various schemes and incentives are not intended to work in isolation but to come together as a concerted effort to boost the supply of affordable housing.

23.53 In this regard, the overriding message coming out of this inquiry is the need for the Australian Government to give coherence to the numerous local, state and national incentives and schemes intended to contribute to the provision of affordable housing. It can only do so by providing much needed leadership through a renewed COAG process and by having a Minister for Housing and Homelessness driving this process. The committee has made recommendations accordingly.

Chapter 24

Conclusion

24.1 In chapter 4, the committee recommended that the Australian Government appoint a Minister for Housing and Homelessness, with the portfolio to be located in a central agency. The evidence taken in this second part of the report, drawn in particular from people involved in social housing, gives even greater force to this recommendation.

24.2 In this chapter, the committee draws together the principal themes developed in part II of the report and links them to the two headline recommendations—appointing a Commonwealth Minister for Housing and Homelessness and establishing a COAG ministerial council on housing. Although the arguments in favour of having a more integrated approach to affordable housing under national leadership are similar to those presented in chapter 4 and 5, the perspective, in this chapter, comes from people interested or involved in the provision of affordable social and rental housing. The committee then draws together its main conclusions.

National importance

24.3 Evidence before the committee overwhelmingly supported the contention that access to affordable housing was a matter of national importance.¹ But a number of submitters referred to what they perceive as the fragmentation of housing policy and effort, which has led to a good deal of confusion and discord in attempts to address housing issues. Generally speaking, these submissions suggested that different levels of government, and indeed different areas of the same government, often have dissimilar objectives that pull in different directions. For example, Mr Wolfe, Housing Industry Association, informed the committee that:

Our frustration goes more to the fact that at various points along the continuum councils point to state governments, state governments point to the federal government and the federal government points to state government and local councils. The three levels of government do not seem to be working in concert.²

24.4 The Junction and Women's Housing believed that to deal with any one element of affordable housing in isolation was to ignore the interrelated nature of Australia's housing system and 'the impact of other policies, particularly at a federal level'.³ Mr Langford explained further that an integrated policy response would cut across the tiers of government and all parts of the housing system and that such an

1 See for example, Mr Langford, *Proof Committee Hansard*, 28 July 2014, p. 40.

2 *Proof Committee Hansard*, 30 July 2014, p. 47.

3 *Proof Committee Hansard*, 28 July 2014, p. 31.

approach would be led nationally, as a national conversation allowing for state and local policy context.⁴ Noting that housing affordability presented many and various challenges that should not be underestimated, Professor Beer told the committee that multiple solutions operating in all dimensions of the housing supply and demand equation were needed:

Solutions that focus only on demand will be inadequate and solutions that focus only on supply will be inadequate.⁵

24.5 According to Mr Langford, there should be an integrated approach to the social and economic issues that relate to housing. He suggested that bricks-and-mortar housing solutions without appropriate and funded support would:

...not address the issue of homelessness for many people and will just create and foster a cycle where people continue to fall into homelessness and are picked up through other systems, be it the health or justice systems, imposing a cost on the rest of the community. Support services need appropriate and secure funding to allow that to happen, and that funding needs a longer term vision than the current format, which often is short-term funding contracts, which creates uncertainty for support partners and also creates uncertainty for tenants who are being supported to sustain successful tenancies.⁶

24.6 National Seniors Australia argued that NRAS, which provided incentives to developers to supply affordable rental housing within the private sector, and the Social Housing Initiative and CRA programs were very successful when well integrated. Ms Skinner explained that integration was important because of situations where there was 'not necessarily a complete support system'. She noted:

You might have housing assistance happening for one group of people. You might have access to aged-care services for another. Other people are getting the health supports they need. It is not until you bring it all together for the individual—so it is person-centred—that you are going to get the best success and the longest tenure or security. It is not just people living in rentals who experience problems. It is also people who are in the homes that might be quite run down and do not have the amenities they need.⁷

24.7 Ms Palumbo, Community Housing Council of South Australia, acknowledged that CRA was a very important element of affordable housing but that NRAS was critical. She also referred to the NAHA grants. According to Ms Palumbo, they can make a difference if they pull together in a way that targets a specific reform agenda around social and affordable housing. She stated:

4 *Proof Committee Hansard*, 28 July 2014, p. 31.

5 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 10.

6 *Proof Committee Hansard*, 28 July 2014, p. 31.

7 *Proof Committee Hansard*, 10 September 2014, p. 15.

You can definitely do things with those three components together. The NAHA is used by state authorities, in the main, to plug their administration cost gaps. In this state [South Australia], there is none of that that goes to any capital or any renewal and that kind of thing, so it is kind of a lost revenue source.⁸

24.8 As this report shows, the Australian Government uses a number of measures to improve Australian's access to affordable housing. To implement an effective strategy, the government needs to have a clear appreciation of how the various measures interact and form a coherent approach—NAHA, CRA and NRAS, the various taxation incentives as well as the contributions of the states and territories. For example, government decision-makers should understand whether CRA inflates rents, if at all; how housing associations benefit from CRA; the extent to which they use it to build their stock of affordable houses; and how NRAS and CRA work together. Also the committee has referred to the two groups of investors in affordable housing—the individual and institutional—and how, because of their different tax arrangements, derive different benefits from the NRAS incentives. The committee has also referred to the proposal for housing supply bonds.

24.9 Indeed, the criticism levelled at NAHA and NPAH all point to the need for an integrated and coherent framework with consistent policy governing a national approach to affordable housing. An institutional mechanism is required to deliver such an overarching strategic approach.

National leadership

24.10 In this context, many submitters underlined the need for national leadership on access to affordable housing.⁹ For example, Mr Langford contended there was a huge opportunity for leadership, and Australians would expect that some of that would come from the federal level.¹⁰ Dr Burgmann spoke of the 'really important leadership role' that the Australian Government had to have—not 'a sole role to play, but a shared role with the states, with local government, with our industry and with other players'.¹¹

24.11 Mr Schrapel concurred with this view of the need for national leadership. While noting the complexity in providing affordable housing, he stated:

All tiers of government plus the not-for-profit sector, the business community and the private investors play a part, but the levers the Commonwealth has are probably the most significant ones.¹²

8 *Proof Committee Hansard*, 28 July 2014, p. 40.

9 See for example, *Proof Committee Hansard*, 28 July 2014, p. 31.

10 *Proof Committee Hansard*, 28 July 2014, p. 40.

11 Dr Lucy Burgmann, Chief Executive Officer, NSW Federation of Housing Associations, *Proof Committee Hansard*, 10 November 2014, p. 11.

12 *Proof Committee Hansard*, 28 July 2014, p. 40.

24.12 Dr Clark, Shelter SA, added her voice to the call for national leadership.¹³ As did Ms Palumbo, who wholeheartedly endorsed the push for a national approach. She was of the view that 'handballing this to the states to sort out on their own is a step backwards'.¹⁴

24.13 As noted earlier, Ms Palumbo regarded NAHA as the best lever the Australian Government had for reform. She highlighted the influence the Commonwealth could exercise through this lever:

When the Commonwealth drives reform, things happen; when it is left to the states, our experience has been that things meander. So a really driven reform that is actually attached to that agreement is probably the most effective way we can look at genuine change, where that agreement says that we actually want to have a mixed model, we want a multi-provider system, we want to see different business models operating in this state not an old and tried monolithic model that means that nobody can really do anything other than on the fringes.¹⁵

24.14 Mr Wolfe, HIA, argued strongly that the Australian Government needs to take a role. He noted:

Look at NAHA payments, CRA payments and the investment made by the then government into the Social Housing Initiative—\$5.4 billion. If you also look at the amount of money that is spent on residential aged-care facilities of which the residence itself is a significant amount of money—that is, about \$8.9 billion—there is an enormous amount of money that is contributed from the federal government down to the states and into housing. They have a role, a function, and it needs to be more than simply writing cheques. They need to take a role in assisting with state and local governments in the provisioning of the necessary infrastructure to support housing developments.¹⁶

24.15 Professor Dalton drew attention to what he believed was the political parties' waning interest in housing policy, with some exceptions from time to time. In his view, the challenge was 'to bring housing policy into the political process more forcefully than it has been now for many decades'. He referred back to the post-war period when housing policy was 'quite central to the way we thought about Australian society'.¹⁷ Professor Dalton then noted that, apart from a few examples, the minister responsible for housing has not held a senior ministerial position in the government: that it has tended to be a junior ministry.¹⁸

13 *Proof Committee Hansard*, 28 July 2014, p. 40.

14 *Proof Committee Hansard*, 28 July 2014, p. 40.

15 *Proof Committee Hansard*, 28 July 2014, p. 40.

16 *Proof Committee Hansard*, 30 July 2014, p. 45.

17 *Proof Committee Hansard*, 9 September 2014, p. 12.

18 *Proof Committee Hansard*, 9 September 2014, p. 12.

24.16 Both Shelter WA and National Shelter suggested that 'to achieve effective coordination, a single minister, at both State and Federal levels, with a responsibility for Housing, Homelessness and Urban Development is required. Similarly, the Queensland Council of Social Service recommended that a Minister for Housing, Homelessness and Urban Development be appointed at the federal government level with responsibility to coordinate housing-related policy decisions across agencies and jurisdictions.¹⁹ In its view, there would be value in re-examining the roles and responsibilities undertaken by the state and Commonwealth governments to facilitate access to affordable housing to ensure these roles and responsibilities are clear, mutually exclusive and well-targeted. Dr Clark argued that a dedicated federal housing minister and a national plan for the housing system were required to effect real change. She noted that the government had a range of levers available to it to alter in order to achieve change.²⁰ Anglicare Australia and the City Futures Research Centre also argued the case for a national Housing and Homelessness Minister, preferably one that would sit in Cabinet.

24.17 As the committee noted in the previous chapter, the overriding message coming out of this inquiry was the need for the Australian Government to give coherence to the numerous local, state and national incentives and schemes intended to contribute to the provision of affordable housing. It can only do so by providing much needed leadership through a renewed COAG process and by having a Minister for Housing and Homelessness driving this process. Indeed, a dedicated minister for housing and homelessness could spearhead this process, supported by an institutional infrastructure that would provide the continuity, expertise, experience and established networks with all levels of government.

Committee view

24.18 In this report, the committee has underscored the importance of affordable, secure, and suitable housing as a vital determinant of wellbeing. For example, Dr Julie Lawson and Professor Mike Berry, RMIT University, stated simply that few material concerns were more important to Australians than the homes they live in:

Secure, affordable housing contributes to our sense of security, individual wellbeing, health and supports family stability.²¹

24.19 Indeed, Mr Scott Langford, Junction and Women's Housing, described, secure tenancy as 'the bedrock of building capacity for social and economic participation'.²²

24.20 But the committee took evidence that highlighted the fact that a significant number of Australians were not enjoying the security and comfort of affordable and

19 *Submission 175*, p. 5.

20 *Proof Committee Hansard*, 28 July 2014, p. 29.

21 *Submission 24*, p. 5.

22 *Proof Committee Hansard*, 28 July 2014, p. 30.

appropriate housing: that currently Australia's housing market was not meeting the needs of all Australians. This situation was most evident in the private rental market where low- to medium-income earners were encountering significant problems accessing affordable and appropriate housing.

24.21 Drawing on the research on secure occupancy in rental housing, Dr Lawson and Professor Berry suggested that the rental market had 'the potential to provide a refuge, oasis and stepping stone for an increasing number of households'. But, in their assessment, Australia's rental housing was:

...the least secure and most neglected pillar of our housing system.²³

24.22 Indeed, Mr Adrian Pisarski, National Shelter, stated bluntly that the rental market was 'a brutal place if on a fixed income or even a pension.'²⁴ In this context, a number of witnesses referred to an emerging housing affordability crisis for older Australians.²⁵

24.23 Many in the private rental market seek relief by accessing social housing but here the waiting lists are long and such accommodation has become a 'housing of last resort'. Undoubtedly, Australia has a housing affordability problem—the challenges are complex, diverse and interact differently in different parts of Australia. Consistent with this overall assessment, and as noted earlier, Professor Beer noted that housing affordability presents multiple challenges and consequently 'needs multiple solutions operating in all directions of the housing supply and demand equation'.²⁶

24.24 Considering the vital importance of housing to a person's overall wellbeing and the current problems encountered gaining access to affordable and appropriate housing, the committee was firmly of the view that affordable housing should be a national economic issue that needs to be a central and cross-cutting theme of government. Furthermore, renting must be recognised as a mainstream and, for some, a permanent form of tenure in Australia's housing system. As a consequence, affordable rental housing must be placed on Australia's national policy agenda as a key issue to address poverty.²⁷

24.25 As the committee noted in the previous chapter, the increasing tight and expensive private rental sector is locking low- to moderate-income earners out of affordable and appropriate housing. This situation indicates market failure and suggests that market solutions to low cost housing will simply not emerge naturally: that there is a clear need to find ways to attract private investment into low cost and

23 *Submission 24*, p. 6.

24 *Proof Committee Hansard*, 10 September 2014, p. 33.

25 Aged and Community Services Australia had 'the housing crisis for older people' as a heading in its submission, *Submission 111*, p. 3 and *Proof Committee Hansard*, 28 July 2014, p. 10.

26 *Proof Committee Hansard*, 28 July 2014, p. 10.

27 See, for example, National Foundation for Australian Women ACT, *Submission 38*, p. 4.

social housing.²⁸ But efforts to attract institutional investors into affordable housing have so far been disappointing. Nonetheless, this challenge provides the Australian Government with the opportunity to find and implement solutions.

Continuity and consistency

24.26 The committee identified the need for a long term housing strategy that would: provide certainty and coherence for the affordable housing sector; clear and consistent funding commitments; and policy certainty that would enable housing providers to forge stronger partnerships with the private sector. This call for certainty in policy and funding for affordable housing came from numerous quarters—community housing providers, academics working in this area, the Indigenous community and investors.

24.27 In this report, the committee has recommended that the Australian Government direct its attention and efforts to a number of areas, and has made recommendations accordingly, including developing a long-term national affordable housing plan that:

- recognises affordable housing, including affordable rental housing, as a mainstream and national policy objective and places affordable housing at the forefront of government policy across Australia;
- is spearheaded by a dedicated minister for housing and homelessness and supported by an institutional infrastructure that would provide the continuity, expertise, experience and established networks with all levels of government;
- fosters intergovernmental cooperation in solving housing issues within a 'whole-of-system housing policy framework';
- places a high priority on improving the supply-side efficiency of the Australian housing market;
- reinvigorates NAHA placing particular emphasis on improving transparency and accountability, and introducing a robust evaluation and reporting framework;
- contains clear, consistent and longer-term funding commitments adequate to meet the growing demand for social housing;
- recommits to halving homelessness by 2025;
- takes account of the findings outlined in this report including facts such as the age pension assumes home ownership and the projected decline in home ownership especially among older Australian;
- builds trust and confidence in both affordable housing providers and investors that Australian governments at all levels, led by the Commonwealth, are committed to increasing the supply of affordable housing;

28 See, for example, Mr Cameron Murray, *Submission 17*.

- provides certainty and coherence for the affordable housing sector and policy certainty that would enable housing providers to forge stronger partnerships with the private sector;
- recognises that significant volumes of public and private finance would be required to meet the projected need for additional rental housing and the importance of attracting institutional investors into the affordable housing market;
- understands that efforts to attract a significant level of institutional investment into affordable housing have to date been unsuccessful; and
- makes institutional investment a core policy objective in affordable housing.

24.28 Overall, and as highlighted in the strong and resounding messages drawn from the chapter on homelessness, the committee is firmly of the view that:

- the Australian government cannot vacate the affordable housing space or step back from its responsibilities to ensure that every Australian has access to affordable, safe and sustainable housing; and
- in the long run, investment in affordable housing returns dividends not only to the individual struggling to access safe, secure and affordable housing but to the budgets of the Australian, state and territory governments and ultimately the Australian taxpayer (by having a more productive community with reduced costs for social, health, unemployment services and for justice and policing).

Senator Sam Dastyari
Chair

Dissenting Report by Government Senators

1.1 The majority report of the committee contains extensive and informative discussion of Australia's housing affordability problems and the resulting issues and policy challenges faced by governments at all levels, including the Australian Government. The comprehensiveness of the evidence the report brings together reflects the efforts of participants in providing to the committee both high quality submissions and evidence at inquiry hearings. However, in the view of Coalition Senators, many of the report's recommendations do not constitute the best responses to the housing affordability challenges Australia faces, and if implemented, would be unlikely to address many of the underlying problems identified in the report.

1.2 Housing is a significant part of the Australian economy as it influences building activity and employment and provides a store of wealth for owner-occupiers and investors. Access to affordable secure housing is a vital factor for individual and family health and happiness. It also provides a platform for social connection through communities and families.

1.3 Clarification of roles and responsibilities between levels of government is needed to improve the operation of direct government housing assistance and homelessness services. The development of the Roles and Responsibilities in Housing and Homelessness Issues Paper through the Federation White Paper process is designed to progress this goal. Specific reform proposals across a range of government activities, including housing and homelessness, will be identified in the Green paper which will be released in the second half of 2015.

1.4 The key report finding (page 5) that the Australian government cannot vacate the affordable housing space or step back from its responsibilities in this area is supported. The Abbott Government is not vacating the affordable housing space or stepping back from its responsibilities. It is addressing the matter directly by supporting the Senate Inquiry and developing an Issues paper directly addressing the issues of affordable housing and homelessness in Australia.

1.5 The Federation White Paper process seeks to complement (and not duplicate) the analysis provided in a number of other reviews that more fully address broader housing affordability pressures. This Senate Inquiry into Affordable Housing in Australia has reviewed the role of all levels of government in facilitating affordable home owner and private rental accommodation, the impact of social housing on housing affordability and the role of all government levels. The outcomes from the Senate Inquiry will be considered as part of this process. However the Government has a clear approach to regulation: to reduce the regulatory burden for individuals, businesses and community organisations. Cutting existing red tape and limiting the flow of new regulation is a high priority and this has been considered whilst analysing the recommendations.

Comments on recommendations:***Response to recommendation 1***

1.6 The appointment of a Minister for Housing and Homelessness with the portfolio to be located in a central agency is not supported. The determination and allocation of its Cabinet and Ministerial responsibilities to ensure maximum effectiveness is appropriately a matter for the Government.

Response to recommendation 2

1.7 The introduction of a Ministerial Council on housing and homelessness is not supported. The majority report has not made the case that such a mechanism would be effective in progressing reforms in a timely manner, or that the additional resource costs and bureaucratic overlay are justified, and is inconsistent with the Government's red tape reduction agenda.

Response to recommendation 3

1.8 The establishment of a new statutory body is inconsistent with the Government's red tape reduction agenda, in addition the area measuring housing needs is a matter for the state and territory governments. The recommendation is not supported.

Response to recommendation 4

1.9 This recommendation is calling for the Commonwealth and states and territories to collaborate in the development of a long term plan. This recommendation is not supported as it is being addressed through the Government's Federation White Paper process.

Response to recommendation 5

1.10 Conveyancing stamp duty is a state and territory issue and therefore this recommendation is not supported.

Response to recommendation 6

1.11 The development of an additional Ministerial Council is not consistent with the Government's red tape reduction agenda and therefore not supported.

Response to recommendation 7

1.12 The recommendation calling for state and local governments to investigate the possibility of using Tax Increment Financing to fund infrastructure for new housing developments is supported.

Response to recommendation 8

1.13 As previously indicated the development of a Ministerial Council is not supported as it is inconsistent with the Government's red tape reduction agenda. The invitation to improve the consistency and timeliness of government information is being addressed through the Federation White Paper process and therefore this recommendation is not supported.

Response to recommendation 9

1.14 The recommendation is not supported as the reinstatement of the National Urban Policy and Major Cities Unit is inconsistent with the Government's red rape reduction agenda.

Response to recommendation 10

1.15 The recommendation to consider developing a long term strategy for regenerating Australia's urban centres and transport corridors is supported.

Response to recommendation 11

1.16 The recommendation that government owned land represents a potential source of land supply for affordable housing is supported.

Response to recommendation 12

1.17 The matter of using prefabricated housing and its potential role in improving housing affordability is a matter for government and a new inquiry is not needed and therefore the recommendation is not supported.

Response to recommendation 13

1.18 The recommendation is not supported as the issue will be addressed by the White Paper on Reform of Australia's Tax System.

Response to recommendation 14

1.19 This recommendation is not supported as consideration of introducing means testing to ensure that the grants are appropriately targeted is a matter for state and territory governments.

Response to recommendation 15

1.20 This recommendation is not supported as it is inconsistent with the Government's red tape reduction agenda.

Response to recommendation 16

1.21 As per recommendation 2, the recommendation to establish the Ministerial Council is not supported as it is inconsistent with the Government's red reduction tape agenda.

Response to recommendation 17

1.22 The investigation of new policy settings that will address barriers to downsizing by retirees, including schemes along the lines of Housing Help for Seniors pilot is supported.

Response to recommendation 18

1.23 As per recommendation 2, this recommendation is not supported as it is inconsistent with the Government's red tape reduction agenda.

Response to recommendation 19

1.24 This recommendation is not supported as the review of tenancies laws is a state and territory issue.

Response to recommendation 20

1.25 The investigation by states and territories of national minimum standards including security of tenure, stability and fairness of rent prices is a state and territory issue and therefore this recommendation is not supported.

Response to recommendation 21

1.26 Addressing the reluctance of tenants to exercise their right under the existing residential tenancies legislation is a state and territory and individual responsibility and therefore the recommendation is not supported.

Response to recommendation 22

1.27 Addressing the supply of affordable housing is a matter for government in conjunction with the states and territories, and therefore this recommendation is not supported.

Response to recommendation 23

1.28 The recommendation to request the Productivity Commission to undertake an inquiry into the merits of transferring public housing to the community housing sector is not supported as it will be addressed through the Federation White Paper process.

Response to recommendation 24

1.29 The recommendation to commit to increase the overall proportion of public housing as a percentage of housing stock is not supported. This will be addressed through the Federation White Paper.

Response to recommendation 25

1.30 The issue of transfer of public housing stock to the community sector will be addressed through the Federation White Paper and therefore the recommendation is not supported.

Response to recommendation 26

1.31 Coalition Senators support the recommendation to look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market.

Response to recommendation 27

1.32 Coalition Senators support the recommendation to commit to ensuring that adequate funding be made available so that women and children escaping domestic violence are housed in secure and appropriate housing with the necessary support network that would allow them to remain in a safe environment.

Response to recommendation 28

1.33 Modifying housing to improve energy efficiency is an individual obligation and responsibility and therefore the recommendation is not supported.

Response to recommendation 29

1.34 Access to affordable housing is an Australia wide challenge. As the Closing the Gap report is working well with its current remit this recommendation is not supported.

Response to recommendation 30

1.35 This recommendation seeks to commit the Government to a number of long run spending and policy positions. Affordable Housing policy is a matter for the government and therefore the recommendation is not supported.

Response to recommendation 31

1.36 The recommendation is not supported as this is inconsistent with the Government's red tape reduction agenda.

Response to recommendation 32

1.37 The recommendation is not supported, however the Government is happy to recognise the important work of advocacy and peak organisations providing support, but recognition does not equal funding. Due to the significant Budget repair task, in the recent grant funding round, funding was not provided for advocacy groups in this area. Funding was directed to organisations delivering critical frontline services. Additionally, the Abbott Government has reversed Labor's funding cuts for homelessness and will provide \$230 million to extend the National Partnership Agreement on Homelessness for two years to 2017, with funding priority given to frontline services focusing on women and children experiencing domestic and family violence, and homeless youth under 18.

Response to recommendation 33

1.38 This recommendation is not supported and will be addressed through the Federation White Paper.

Response to recommendation 34

1.39 The recommendation to improve accountability and transparency is supported in part, however final decisions will depend on the outcome of the pending Federation White Paper process.

Response to recommendation 35

1.40 The recommendation that the Federation White Paper process consider carefully NAHA is supported.

Response to recommendation 36

1.41 The supply of new affordable housing is a matter for Government and therefore this recommendation is not supported.

Response to recommendation 37

1.42 Any proposed refinement or placement of a scheme will be a matter for Government and therefore this recommendation is not supported.

Response to recommendation 38

1.43 The resolution of any uncertainty over the effect of NRAS is a matter for the Government and therefore this recommendation is not supported.

Response to recommendation 39

1.44 The recommendation to review the eligibility criteria for CRA is not supported.

Response to recommendation 40

1.45 The recommendation that the White Paper on Federation give due consideration to the proposal for the introduction of HSB's using AHURI's research as a starting point is supported.

Senator Sean Edwards
Deputy Chair

Senator Matthew Canavan
Nationals Senator for Queensland

Additional comments by Senator Nick Xenophon

1.1 Even by the high standards of Senate committee reports, this report on housing affordability is a landmark examination of the crisis facing millions of Australians. My colleagues and the committee secretariat deserve to be commended for their incredibly hard work on this inquiry and the overall thrust of the report.

1.2 Sadly for many Australians, home ownership is a dream that is becoming increasingly out of reach. Soaring property prices in our capitals have seen many low and middle income earners excluded from the property ownership market despite increasing average wages. As one witness told the committee:

Home ownership provides security of tenure and helps a family to build roots and connections within their community. Research shows that home ownership contributes to wellbeing, feelings of financial security, community pride and better educational and health outcomes for families.¹

1.3 The statistics are sobering. While the number of home owner-occupiers in Australia has remained steady at approximately 70 percent over the past four decades,² the number of families experiencing housing stress has been on the rise. A 2014 report by National Shelter states that:

Between 2002 and 2012, the average nominal rent increased by 75.8% for houses and 91.8% for other dwellings (mostly flats/apartments), while average earnings rose by 57% and house prices rose by 69%.³

1.4 The report continued:

In 2009–10, 60% of lower-income rental households in Australia were in rental stress.⁴

1.5 I am encouraged by the committee's majority report that the issue of housing affordability is being taken seriously. The committee has made a number of sensible recommendations that will go towards improving home ownership rates across the country.

1 Mr John Oliver, Chief Executive Officer, HomeStart Finance, Proof Committee Hansard, 28 July 2014, p. 2

2 The Australian Bureau of Statistics, 1301.1 Year Book Australia 2012, Housing - Home Owners and Renters, available at <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/1301.0Main+Features1292012>, accessed 7 May 2015.

3 National Shelter, Housing Australia Fact Sheet, p. 1, available at <http://www.sheltersnsw.org.au/publications-new/factsheets-new/226-housing-australia-factsheet/file>, accessed 7 May 2015.

4 National Shelter, Housing Australia Fact Sheet, p. 1, available at <http://www.sheltersnsw.org.au/publications-new/factsheets-new/226-housing-australia-factsheet/file>, accessed 7 May 2015.

1.6 However, I query in terms of policy priorities whether there should be a greater emphasis on home ownership rather than surrendering to the view that an increasing number of Australians will have to rely on long term rental accommodation.

1.7 I think it is important that there be clear national goals set as to the level of home ownership that should be aimed for and desirable, and that must involve a holistic view of a range of measures. These must include: local and state government planning laws, the costs of outer and extra urban developments (in terms of infrastructure and social costs) and the role of the Commonwealth to provide 'carrot and stick' incentives to encourage home ownership and housing affordability. In addition there ought to be transparent and accountable goals on increasing levels of home ownership, reducing rental and mortgage stress as well as levels of homelessness.

1.8 It also needs to be acknowledged that the current commercial lending market ought to be subject to targeted government intervention to encourage home ownership. The HomeStart scheme in South Australia is a stunning success story which for over a generation has allowed 65,000 home loans to be approved that the commercial market would have shunned. Other states could learn from the South Australian example.

1.9 It was HomeStart, with its strong record of social inclusiveness and enabling home ownership for those that the banks would otherwise shun, that raised the issue of adopting a measure such as Canada's Home Buyers Plan that allows first home buyers to use their superannuation to buy a home. I believe this is worth investigating, but after considerable feedback following my raising of this proposal I believe it needs to be proceeded with cautiously. It needs to be part of a suite of measures, including changes to negative gearing (with an emphasis on increasing the stock of affordable rental accommodation), planning law changes and other policy levers to prevent such a measure having an inflationary impact on the housing market.

1.10 Issues of urban planning and its impact on social indicators must also be more seriously considered. I find it extraordinary that in my home state of South Australia the square mile of the City of Adelaide (bounded by north, south, east and west terraces) has a residential population of 23,000 residents compared to 46,000 residents 100 years ago. Any affordable housing policies must take into account the social and economic benefits of driving population growth to reinvigorate inner urban areas in a way that would make these areas attractive for young people and families. The consequential benefits in terms of reducing the cost of ever expanding infrastructure needs of extra-urban developments must be taken into account.

1.11 Finally, in terms of over-heated housing markets, particularly in Sydney, which can distort the entire housing market and with it housing affordability, there must be a better way. There ought to be a requirement for the Australian Prudential Regulatory Authority to further stress test housing loans, particularly in the Sydney market. Interest rates by themselves are too blunt an instrument to do this. This should also prompt an examination of the importance of decentralisation and affordable

housing in regional communities. The Commonwealth could play a key role in providing incentives to encourage this.

Senator Nick Xenophon
Independent Senator for South Australia

Additional Comments from the Australian Greens

1.1 This report and its recommendations are the first serious attempt to address the chronic housing affordability crisis during the term of the Abbott government. Its refusal to sign on or engage meaningfully with the recommendations or intent of this report is disappointing in the extreme. It is also perplexing. The Treasurer on one hand has recently acknowledged the housing affordability crisis in Australia and announced a Housing Affordability Taskforce, yet on the other delivered a Budget that abolished over \$590 million of homelessness and housing affordability programs, and then axed the three peak expert bodies on homelessness and housing three days before Christmas.

1.2 The Australian Greens appreciate the collaborative and professional way the Inquiry was conducted over the last year, and thank the many expert witnesses who participated.

1.3 We particularly wish to thank the witnesses who were experiencing homelessness at the time they participated in the inquiry. Their experiences and advice described to the committee were powerful and moving, and we note have translated to concrete recommendations. We strongly urge Federal, State and Local governments to talk to, rather than about, the homeless, and act with the urgency and compassion desperately needed in this country.

1.4 We note the recommendation proposed by people experiencing homelessness to investigate Centrelink as a one stop shop to assist people experiencing or at risk of homelessness, with referral and in-house expertise to link clients with services and housing. This one single action could change the lives of hundreds of thousands of Australians who are currently experiencing or at risk of homelessness.

1.5 We also wish to thank and acknowledge those witnesses and tireless advocates who gave evidence on the basis of expertise - even as they were being defunded by the government.

1.6 Since the last Senate Inquiry into Housing Affordability in 2008, not only has the housing affordability crisis deepened, but countless initiatives introduced after the report was delivered have been abolished by the current government. It is hard to overestimate the impact of axing the Ministerial Housing Portfolio, the National Housing Supply Council, Major Cities Unit, National Urban Policy, Ministerial Council on Homelessness, National Partnership Agreement capital program for new homelessness shelters, COAG Reform Council on Housing, Housing Help for Seniors Program, National Rental Affordability Scheme, First Home Savers Scheme, Housing Affordability and Innovation grants program, and national expert peak bodies Homelessness Australia, National Shelter and the Community Housing Federation of Australia.

1.7 The Australian Greens support the findings and recommendations of the committee but wish to make some additional comments.

1.8 The report includes what we believe to be a missed opportunity to engage meaningfully with Commonwealth tax reform. This is an area in which the Greens will continue to be strong advocates.

1.9 The issue of Inclusionary Zoning – or setting mandatory targets for affordable housing in developments over a certain size usually at the state government level - was also ignored despite its local and international success in delivering diverse types of affordable housing. The Australian government and opposition has much to learn from local examples in South Australia as well as numerous European cities, where targets of 15-33% affordable housing (including private rentals) are being routinely delivered as part of development models that deliberately include private and non for profit housing companies as part of the development consortium, and where government plays a direct partnership role.

1.10 The Australian Greens believe the committee report paints a partial picture, and represents an incomplete roadmap to Housing Affordability.

1.11 To this end the Australian Greens recommend:

1.12 That the Commonwealth include inclusionary zoning targets in any national affordable housing plan using evidence-based models to assess the impact of inclusionary zoning on housing supply and affordability.

1.13 In addition to the recommendations, the Greens commend our 9 point *National Housing Roadmap* – a comprehensive and costed plan to address Australia’s Housing Crisis – as a contribution to the debate, and look forward to these issues being dealt with the urgency they deserve.

1.14 To this end the Australian Greens recommend:

- 1. Doubling the funding currently available for specialist homeless services and build 7,000 new homes for people currently sleeping rough as a matter of urgency.** At a cost of \$900 million – 1 billion a year to 2020 this would end the most urgent need in homelessness and mean over 400 people in crisis each day were not being turned away from services.
- 2. Halving the social waiting list within the decade** by providing funding to build 122,000 new social housing homes - enough to halve the waiting list in ten years and provide a home for more than 250,000 Australians languishing on the waiting lists. This would cost \$700 million per year, plus \$25 million per year for a new affordable housing supply bonds instrument.
- 3. Introducing an Affordable Housing Supply Bond instrument** to provide a safe and tested mechanism that would generate \$2 billion of finance from a \$25 million per year government investment, and would allow large institutional investors and smaller mum and dad investors to invest in affordable social housing and rentals.
- 4. Introducing a Better Deal for Renters** package that would include establishing a new national body to introduce national minimum standards for rentals, boost renters' rights, make rental properties safer, more sustainable, energy and water efficient, and more affordable. Under the Greens plan,

landlords will be offered a package worth \$500 per property to help them make upgrades and meet the new national standard. It would also provide an extra \$3 million for Tenants' Advocacy services. This package would cost \$103 million per year.

5. **Adopting the Henry Tax Review recommendation to reduce Capital Gains Tax concessions on investments** (including property) by 10% as a minimum, as a costed revenue initiative. This would save \$3.4 billion over the forward estimates and would provide much needed revenue to be used to build affordable housing.
6. **Building 85,000 new affordable rentals over the next decade**, including funding for 20,000 student rentals through a new University NRAS scheme.
7. **Introducing a 'Convert to Rent' scheme** to provide financial assistance to property owners to help convert vacant or unused space into rental units to provide affordable housing to low income households. Just \$345 million over ten years would fund 15,000 conversions.
8. **'Repowering' our entire social housing stock by installing solar panels and insulation on every single Australian social housing dwelling** to help tenants save energy and money. \$78.3 million per year over ten years would see 520,000 social housing homes retrofitted and repowered, saving tenants about \$500 per year and contributing significantly to reducing carbon emissions; and
9. **Kick-start an Australian-made prefabricated housing industry to quickly, sustainably and cheaply build affordable homes** – and boost local jobs and innovation at the same time. The Greens plan would introduce a \$50 million sustainable prefabricated modular housing industry package over 5 years to provide support for Research and Development, Innovation, Excellence in Design, skills and training, assistance establishing new production and manufacturing facilities, and demonstration projects. The package would also establish direct opportunities for Aboriginal and Torres Strait Islander peoples to obtain training, trade qualifications, and employment across the prefabricated housing industry.

Senator Scott Ludlam
Australian Greens Senator for Western Australia

Appendix 1

Submissions received

Submission Number	Submitter
1	Grace Mutual Limited
2	Mr Saul Eslake
3	Mr Steve Walker
4	Name Withheld
5	Home Loan Experts
6	Mr Bob Day
7	Ms Catherine Cashmore
8	Mr James Murchison
9	The Taxpayers Party
10	Mr Don Owers
11	Hon Colin Barnett MLA, Premier of Western Australia
12	Tamworth Regional Council
13	Mr Chris Moore
14	Reserve Bank of Australia
15	Ms Ashley Holmes
16	BIS Shrapnel
17	Mr Cameron Murray
18	Mr Luke Buckley
19	Hon John Thwaites, Australian Building Codes Board
20	Neumann and Turnour Lawyers
21	Ms Carol O'Donnell
22	Mr George Samuel
23	Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman
24	Dr Julie Lawson and Professor Mike Berry, Centre for Urban Research, RMIT University
25	Professor Frank Stilwell
26	Mr Chris Baulman
27	Mr David Chandler OAM
28	Mr Heath Preston
29	Name Withheld

- 30 Ms Leonie Ben-Simon
- 31 NRAS Providers Ltd
 - Attachment 1
- 32 Name Withheld
- 33 Mr Keith Jacobs
- 34 Public Interest Advocacy Centre
- 35 Ms Christine Allison
- 36 Prosper Australia
- 37 Western Australian Local Government Association
- 38 National Foundation for Australian Women
- 39 Hobsons Bay City Council
- 40 The Victorian Public Tenants Association
- 41 Professor Fiona Haslam McKenzie, Curtin University
- 42 Mortgage and Finance Association of Australia
- 43 City of Perth
- 44 The Western Community Legal Centres (Wyndham Legal Service, Footscray Community Legal Centre, Brimbank Melton Community Legal Centre and Western Suburbs Legal Service)
- 45 Mr Michael Dromgool
- 46 Community Employers WA
- 47 Mr Robert Braby
- 48 Master Builders Australia
- 49 Catholic Health Australia
- 50 Maribyrnong City Council
- 51 Youth Action NSW
- 52 Women's Housing Company
- 53 Honorary Associate Professor Judith Yates, University of Sydney
- 54 JELD-WEN Australia
- 55 Central Highlands Local Area Service Network
- 56 Mr Brett Petersson
- 57 Side By Side Advocacy
- 58 Inner South Rooming House Network
- 59 Women's Legal Service Queensland
- 60 Mr Paul Prendergast

61	Mr Sean Reynolds
62	The University of Sydney
63	Mr Jason Marks
64	Rismark International
65	Women's Legal Services NSW
66	Family Advocacy
67	Mr Alan Pears AM
68	Kingsford Law Centre
69	City of Boroondara
70	HomeGround Services
	• Attachment 1
71	Australian Institute of Health and Welfare
72	HomeStart Finance
73	Housing Alliance
74	Regional Development Australia Gold Coast
75	Compass Housing Services Co Ltd
76	KinCare
77	IRT Group
78	National Shelter
79	PowerHousing Australia
80	NSW Federation of Housing Associations
81	Habitat for Humanity Australia
82	National Union of Students
83	Yarra Ranges Housing Action Group
84	The Net Work Of Jesus' Love
85	Anglicare Sydney, Churches Housing and BaptistCare
86	Institute for Social Research, Swinburne University of Technology
87	Frankston City Council
88	Real Estate Institute of Australia
89	Sustainable Population Party
90	SouthEast Housing Co-operative Ltd
91	Wyndham Humanitarian Network
92	The Australia Institute
93	Australian Housing and Urban Research Institute

94	Community Sector Banking
95	Equality Rights Alliance
96	Women's Centre for Health Matters
97	Insurance Council of Australia
98	National Council of Women of Australia
99	Community Housing Council of SA Inc.
100	Mercy Foundation
101	National Affordable Housing Consortium
102	Ethnic Disability Advocacy Centre
103	Settlement Services International
104	Sustainable Population Australia Inc.
105	Mr John Hawkins
106	WIRE Women's Information
107	Illawarra Legal Centre
108	Australian Council of Social Service
109	National Disability Services
110	Carers Victoria
111	Aged and Community Services Australia
112	Australian Bureau of Statistics
113	Department of Immigration and Border Protection
114	The Salvation Army
115	Centre for Local Government, University of Technology Sydney
116	McAuley Community Services for Women
117	Shelter SA
118	NT Shelter
119	Tenants Union of Victoria
120	Tenants' Union of NSW
121	Brisbane City Council
122	Victorian Coalition of ABI Service Providers (VCASP) Inc.
123	City of Darebin
124	Fairfield City Council
125	Chinese Australian Services Society Limited
126	Moonee Valley City Council
127	Murdi Paaki Regional Assembly

128	Moreland City Council
129	Regional Development Australia Sydney
130	The Association of Superannuation Funds of Australia
131	Earthsharing Australia
132	Genworth
133	Community Housing Federation of Victoria
134	Baptist Care Australia
135	Brotherhood of St Laurence
136	Mount Alexander Shire Council
137	Jesuit Social Services
138	City of Darebin
139	Mr David Van Der Klauw
140	Mr Kevin Conlon
141	Mr Tilesh Fonseka
	• Supplementary submission
142	Department of Education
143	WA Association for Mental Health
144	Mr Norman Carter
145	St George Sutherland Housing Interagency
146	Customer Owned Banking Association
147	Mission Australia
148	Advocare Incorporated
149	National Welfare Rights Network
150	Illawarra Forum
151	Mental Health Council of Australia
152	City Futures Research Centre, UNSW
153	Christian Super
154	Visionary Design Development Pty Ltd
	• Attachment 1
155	Mr Rob Johnson
156	Western Sydney Community Forum
157	Elmstone Property Group
158	Mr Laurence Toltz
159	Anglicare Australia

160	City of Port Phillip
161	Anglicare WA
162	ACT Government
163	Dr Maree Petersen, Institute for Social Science Research, University of Queensland
164	Combined Pensioners and Superannuants Association of NSW Inc.
165	National Seniors
166	Youth Affairs Council of Western Australia
167	Youth Coalition of the ACT
168	Women's Electoral Lobby Australia <ul style="list-style-type: none">• Attachment 1
169	United Voice
170	Lend Lease
171	Community Housing Federation of Australia
172	Community Housing Coalition WA
173	Mr Leslie Hooker
174	Shelter WA
175	Queensland Council of Social Service
176	SGCH (St George Community Housing Limited)
177	YWCA Australia
178	Housing Industry Association
179	Council to Homeless Persons
180	BlueCHP Limited
181	Women's Property Initiatives
182	St Kilda Community Housing
183	Good Shepherd Youth and Family Service
184	Friends of Public Housing Victoria
185	Ms Teresa Kiernan
186	AHL Investments Pty Ltd (Aussie)
187	Summer Foundation Ltd
188	Elizabeth Evatt Community Legal Centre
189	St Vincent de Paul Society, National Council of Australia
190	Urban Development Institute of Australia
191	COTA Australia
192	Northcott and Evolve Housing

- 193 Brimbank City Council
 - Attachment 1
- 194 Dr Marika Bouchon
 - Attachment 1
- 195 ACT Council of Social Service
- 196 Local Government Association of Queensland
- 197 Australian Bankers' Association
- 198 Department of Social Services
- 199 City Of Sydney
- 200 Settlement Council of Australia
- 202 Sydney University Postgraduate Representative Council
- 203 Indigenous Business Australia
- 204 Housing for the Aged Action Group Inc.
- 205 Bapcare
- 206 Carers NSW
- 207 Refugee Council of Australia
- 208 Disability Advocacy Network Australia, National Ethnic Disability Alliance and Australian Federation of Disability Organisations
- 209 Mr Michael Basso
- 210 Link Housing Ltd
- 211 Wintringham
- 212 Residential Development Council, Property Council of Australia
- 213 Mr Paul Robertson
- 214 South West Australia Homeless People
- 215 Queensland Government
- 216 People with Disability Australia Incorporated
- 217 Housing Tasmania
- 218 City of Melbourne
 - Attachment 1
 - Attachment 2
 - Attachment 3
- 219 Submission Withdrawn
- 220 Confidential
- 221 RI Australia and Australian Network for Universal Housing Design

222	Wyndham City Council
223	Confidential
224	Dr Andrea Sharam, Dr Tom Alves and Ms Lyndall Bryant
225	Confidential
226	Ms Lyndall Bryant
227	Bankwest Curtin Economics Centre, Curtin University
228	Mr Stephen Koci
229	Homelessness Australia
230	Confidential
231	CoreLogic RP Data

Appendix 2

Tabled documents

1. Document tabled by HomeStart Finance at a public hearing held in Adelaide on 28 July 2014.
2. Document tabled by the Community Housing Council at a public hearing held in Adelaide on 28 July 2014.
3. Document tabled by the Department of Social Services at a public hearing held in Canberra on 30 July 2014.
4. Document tabled by Senator Sean Edwards at a public hearing held in Canberra on 30 July 2014.
5. Document tabled by Prosper Australia at a public hearing held in Melbourne on 9 September 2014.
6. Document tabled by Dr Ian Winter, Executive Director of the Australian Housing and Urban Research Institute, at a public hearing held in Melbourne on 9 September 2014.
7. Document tabled by Dr Sharon Parkinson, RMIT University, at a public hearing held in Melbourne on 9 September 2014.
8. Document tabled by Professor Carolyn Whitzman, Melbourne University, at a public hearing held in Melbourne on 9 September 2014.
9. Document tabled by Professor Carolyn Whitzman, Melbourne University, at a public hearing held in Melbourne on 9 September 2014.
10. Document tabled by the City of Melbourne at a public hearing held in Melbourne on 9 September 2014.
11. Document tabled by the Wyndham Legal Service at a public hearing held in Melbourne on 9 September 2014.
12. Document tabled by the Wyndham Legal Service at a public hearing held in Melbourne on 9 September 2014.
13. Opening statement tabled by the Wyndham City Council at a public hearing held in Melbourne on 9 September 2014.
14. Document tabled by the Wyndham City Council at a public hearing held in Melbourne on 9 September 2014 (exhibit A).
15. Document tabled by the Wyndham City Council at a public hearing held in Melbourne on 9 September 2014 (exhibit B).

16. Document tabled by the Wyndham City Council at a public hearing held in Melbourne on 9 September 2014 (exhibit C).
17. Document tabled by the Wyndham City Council at a public hearing held in Melbourne on 9 September 2014 (exhibit D).
18. Report 'Where Will I Live as I Age?', tabled by National Seniors Australia at a public hearing held in Brisbane on 10 September 2014.
19. Report '2nd Seniors Sentiment Index', tabled by National Seniors Australia at a public hearing held in Brisbane on 10 September 2014.
20. Report 'Downsizing decisions of senior Australians: What are the motivating and discouraging factors?', tabled by National Seniors Australia at a public hearing held in Brisbane on 10 September 2014.
21. Report 'Relocation to a Retirement Village: Who Considers Relocation and What are People Looking for?', tabled by National Seniors Australia at a public hearing held in Brisbane on 10 September 2014.
22. Housing Affordability Study, tabled by Regional Development Australia – Gold Coast at a public hearing held in Brisbane on 10 September 2014.
23. Document tabled by the National Affordable Housing Consortium at a public hearing held in Brisbane on 10 September 2014.
24. 'The National Rental Affordability Scheme' factsheet tabled by NRAS Providers Ltd at a public hearing held in Brisbane on 10 September 2014.
25. 'National Rental Affordability Scheme—Economics and Taxation Impact Study', tabled by NRAS Providers Ltd at a public hearing held in Brisbane on 10 September 2014.
26. 'BHC - creating liveable communities', tabled by the Brisbane Housing Company at a public hearing held in Brisbane on 10 September 2014.
27. '5 top priorities for affordable housing', tabled by the Brisbane Housing Company at a public hearing held in Brisbane on 10 September 2014.
28. Document tabled by the Brisbane Housing Company at a public hearing held in Brisbane on 10 September 2014.
29. Document tabled by Professor Judith Yates at a public hearing held in Sydney on 10 November 2014.
30. Document tabled by the Australian Building Codes Board at a public hearing held in Sydney on 10 November 2014.
31. 'The Next Instalment in Building Regulatory Reform', tabled by the Australian Building Codes Board at a public hearing held in Sydney on 10 November 2014.

32. Annual Business Plan 2014-15, tabled by the Australian Building Codes Board at a public hearing held in Sydney on 10 November 2014.
33. Research report 'From Homelessness to Sustained Housing 2010-2013', tabled by Mission Australia at a public hearing held in Sydney on 10 November 2014.

Additional information received

1. Additional information received from the Women's Legal Service on 12 September 2014, following a public hearing held on 10 September 2014 in Brisbane.
2. Research paper 'Allocation, eligibility and rent setting in the Australian community housing sector', provided by the Community Housing Federation of Australia on 7 November 2014.
3. Research paper 'The Vital Subsidy: CRA and community housing', provided by the Community Housing Federation of Australia on 7 November 2014.
4. A paper on Independent Living Units in Queensland, provided by the Aged and Community Services Australia on 18 November 2014, following a public hearing held on 10 November 2014 in Sydney.
5. Additional information received from the Tenants' Union of NSW on 26 November 2014, following a public hearing held on 10 November 2014 in Sydney.
6. Additional information received from the Department of Housing, Government of Western Australia, on 11 November 2014.
7. Additional information received from the Department of Housing, Government of Western Australia, following a public hearing on 11 November 2014 in Perth.

Answers to questions on notice

1. Answer to a question on notice from a public hearing held in Canberra on 30 July 2014, received from Master Builders Australia on 25 August 2014.
2. Answer to a question on notice from a public hearing held in Canberra on 30 July 2014, received from the Housing Industry Association on 25 August 2014.
3. Answers to questions on notice from a public hearing held in Canberra on 30 July 2014, received from the Department of Social Services on 29 August 2014.
4. Answers to questions on notice from a public hearing held in Canberra on 30 July 2014, received from the Australian Bureau of Statistics on 12 September 2014.

5. Answers to questions on notice from a public hearing held in Brisbane on 10 September 2014, received from the Brisbane City Council on 19 September 2014.
6. Answers to questions on notice from a public hearing held in Brisbane on 10 September 2014, received from the Queensland Department of Housing and Public Works on 16 October 2014.
7. Answer to a question on notice from a public hearing held in Brisbane on 10 September 2014, received from National Seniors Australia on 13 October 2014.
8. Answer to a question on notice from a public hearing held in Perth on 11 November 2014, received from the Government of Western Australia on 10 December 2014.
9. Answers to questions on notice from a public hearing held in Canberra on 11 February 2015, received from the Department of Social Services on 23 February 2015.
10. Answer to a question on notice from a public hearing held in Canberra on 11 February 2015 and additional information, received from Homelessness Australia on 13 February 2015.

Appendix 3

Public hearings and witnesses

ADELAIDE, 28 JULY 2014

BAKER, Dr Emma, Deputy Director, Centre for Housing, Urban and Regional Planning, University of Adelaide

BEER, Professor Andrew, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide

CLARK, Dr Alice, Executive Director, Shelter SA

FAULKNER, Dr Debbie, Research Fellow, Centre for Housing, Urban and Regional Planning, Faculty of Humanities and Social Sciences, University of Adelaide

LANGFORD, Mr Scott, General Manager, Junction and Women's Housing

MILLS, Mr Andrew, Acting General Manager, Strategy, People and Operations, HomeStart Finance

OLIVER, Mr John, Chief Executive Officer, HomeStart Finance

PALUMBO, Ms Maria, Chair, Community Housing Council of South Australia

SCHRAPEL, Mr Simon, Chief Executive, Uniting Communities

YATES, Mr Ian, Chief Executive, Council on the Ageing

CANBERRA, 30 JULY 2014

ABBOT, Ms Simone, Manager, Individuals Tax Unit, Personal and Retirement Income Division, The Treasury

BAKER, Mr David, Director of Research, The Australia Institute

BLACK, Ms Susan, Principal Adviser, Homelessness, National Rental Affordability Scheme and Gambling, Department of Social Services

BROOKFIELD, Ms Kristin, Senior Executive Director, Building Development and Environment, Housing Industry Association

COLEMAN, Ms Marie AO PSM, Chair, Social Policy Committee, National Foundation for Australian Women

DALE, Dr Harley, Chief Economist, Housing Industry Association

DAVIS, Dr Brent, National Director, Industry Policy, Master Builders Australia Ltd

DOWDELL, Ms Michelle, Manager, Social Policy Division, The Treasury

FINDLATER SMITH, Ms Margaret, National Coordinator of Standing Committees, National Council of Women of Australia

FOLEY, Mr Liam, Policy Officer, Urban Development Institute of Australia (National)

FOSTER, Mr Chris, Principal Adviser, Social Policy Division, The Treasury

GOLDSWORTHY, Mr Brenton, Principal Adviser, Forecasting, Macroeconomic Conditions Division, The Treasury

HAND, Ms Felicity, Deputy Secretary, Department of Social Services

HARNISCH, Mr Wilhelm, Chief Executive Officer, Master Builders Australia Ltd

HEFEREN, Mr Rob, Executive Director, Revenue Group, The Treasury

JELFS, Dr Paul, First Assistant Statistician, Australian Bureau of Statistics

JOHNSON, Ms Molly, Researcher, The Australia Institute

KREITALS, Mr Jock, Manager, Policy, Real Estate Institute of Australia

LEGGETT, Mr Chris, Manager, Law Design Practice, Revenue Group, The Treasury

LINDSAY, Mr Richard, Chief Executive Officer, Urban Development Institute of Australia (National)

LYNCH, Ms Amanda, Chief Executive Officer, Real Estate Institute of Australia

MORRIS, Mrs Julie Anne, President, National Council of Women of Australia

MURRAY, Mr Geordan, Economist, Housing Industry Association

PALMER, Mr Bryan, Group Manager, Housing, Homelessness and Gambling, Department of Social Services

RILEY, Mr John, Branch Manager, Housing and Analysis, Department of Social Services

WELLHAM, Mr Michael, Senior Adviser, Personal and Retirement Income Division, The Treasury

WOLFE, Mr Graham, Chief Executive, Industry Policy and Media Relations, Housing Industry Association

ZAGO, Mr David, Assistant Statistician, Australian Bureau of Statistics

MELBOURNE, 9 SEPTEMBER 2014

BENNETT, Mr James, Policy and Liaison Officer, Tenants Union of Victoria

BURKE, Professor Terry, Private capacity

COLLYER, Mr David, Policy Director, Prosper Australia

COMELLO, Mr Elio, Coordinator Strategic Planning, Wyndham City Council

DALTON, Professor Tony, Professor of Urban and Social Policy, RMIT University

DODSON, Professor Jago, Professor of Urban Policy, RMIT University

GRACIE, Mr Jack, National Welfare Officer, National Union of Students

HOLST, Dr Heather, Chief Executive Officer, HomeGround Services

HULSE, Professor Kath, Private capacity

JARVIS, Mr Alex, Senior Policy and Planning Officer, Wyndham City Council

MILLS, Mr Adam, Senior Strategic Planner, City of Melbourne

MOORE, Mr John, Manager Strategic Planning, Wyndham City Council

MOORE, Ms Shorna, Senior Policy Lawyer, Wyndham Legal Service Inc.

MURRAY, Professor Shane, Dean, MADA, Monash University Faculty of Art Design & Architecture

NELTHORPE, Mr Denis, Manager, Wyndham Legal Service Inc.

O'BRIEN, Mr Mark, Chief Executive Officer, Tenants Union of Victoria

PARKINSON, Dr Sharon, AHURI Postdoctoral Research Fellow, Centre for Urban Research, RMIT University

SOOS, Mr Philip, Researcher, Prosper Australia

SPIELMAN, Ms Ruth, Executive Officer, National Growth Areas Alliance

STONE, Dr Wendy, Private capacity

TOOHEY, Ms Sarah, Manager, Policy and Communications, Council to Homeless Persons

WHITZMAN, Professor Carolyn, Professor of Urban Planning, University of Melbourne

WILKINS, Associate Professor, Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

WINTER, Dr Ian, Executive Director, Australian Housing and Urban Research Institute Limited

BRISBANE, 10 SEPTEMBER 2014

CANT, Mr David Hugh, Chief Executive Officer, Brisbane Housing Company Limited

DOSS, Mr Kerry, Manager, City Planning and Economic Development, City Planning and Sustainability Division, Brisbane City Council

HONAN, Mr Stephen, Project Manager, Brisbane Housing Company Limited

LEITCH, Mr Jonathan Michael, Executive Director, Department of Housing and Public Works, Queensland

MILNE, Ms Lulu, Principal Social Worker, Women's Legal Service, Queensland

MYERS, Mr Michael, Chief Executive Officer, National Affordable Housing Consortium

NEIL, Ms Rachel, Solicitor, Women's Legal Service, Queensland

PETERSEN, Dr Maree, Postdoctoral Research Fellow, Institute for Social Science Research, University of Queensland

PISARSKI, Mr Adrian, Executive Officer, National Shelter

PRITCHARD, Mr Ian, Executive Officer, Regional Development Australia, Gold Coast

SKINNER, Ms Marie, Senior Policy Adviser, National Seniors Australia

SOMERVILLE, Mr David, Chair, NRAS Providers Limited

ULLMANN, Mrs Kylie, Policy Adviser, National Seniors Australia

WALKER, Mr Damien, Deputy Director-General, Department of Housing and Public Works, Queensland

YOUNG, Ms Kerrie, Committee Member, Regional Development Australia, Gold Coast

CANBERRA, 2 OCTOBER 2014

EDEY, Dr Malcolm, Assistant Governor, Financial System, Reserve Bank of Australia

ELLIS, Dr Luci, Head, Financial Stability, Reserve Bank of Australia

SYDNEY, 10 NOVEMBER 2014

BURGMANN, Dr Lucy, Chief Executive Officer, NSW Federation of Housing Associations

CROCE, Ms Carol, Executive Director, Community Housing Federation of Australia

DALLEY-FISHER, Ms Helen, Manager, Equality Rights Alliance

EVANS, Ms Rosemary, Policy Officer, Australian Council of Social Service

FLYNN, Mr Patrick, Advocacy Campaign Manager, Mission Australia

GISSANE, Ms Hannah, Project Coordinator, Equality Rights Alliance

KING, Ms Sue, Director of Advocacy and Research, Anglicare Australia

MARTIN, Dr Chris, Senior Policy Officer, Tenants' Union of New South Wales

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