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SELECT COMMITTEE ON HOUSING AFFORDABILITY IN
AUSTRALIA

Reference: Barriers to homeownership in Australia

MONDAY, 5 MAY 2008

LAUNCESTON

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**SENATE SELECT COMMITTEE ON
HOUSING AFFORDABILITY IN AUSTRALIA**

Monday, 5 May 2008

Members: Senator Payne (*Chair*), Senators Bartlett, Colbeck, Fifield, Lundy and Moore

Senators in attendance: Senators Barnett, Colbeck, Fifield, Moore and Payne

Participating members: Senators Abetz, Adams, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fisher, Forshaw, Heffernan, Hogg, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Ian Macdonald, Sandy Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, Nettle, O'Brien, Parry, Patterson, Polley, Robert Ray, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Watson, Webber and Wortley

Terms of reference for the inquiry:

To inquire into and report on:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending; and
- g. the contribution of home ownership to retirement incomes.

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Committee met at 8.59 am

CHAIR (Senator Payne)—I declare open this meeting of the Senate Select Committee on Housing Affordability in Australia. The Senate established this select committee on 14 February 2008, and it is due to report on 16 June 2008. The terms of reference for the inquiry are as follows:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending;
- g. and the contribution of home ownership to retirement incomes.

To date the committee has held public hearings in Canberra, Sydney, Campbelltown, Karratha, Perth, Brisbane, the Gold Coast, Ballina, Geelong, Melbourne and Adelaide. This hearing has been convened to receive evidence on housing affordability issues as they affect Tasmania.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[9.01 am]

ABERNETHY, Mr Ian, Development Services, Launceston City Council

CHAIR—I welcome our first witness this morning. Thank you for meeting with the committee. Would you like to make a brief opening statement and then we will go to questions from the committee.

Mr Abernethy—Thank you. I have prepared some notes; they are not very lengthy. They are more attachments than anything else. I will hand them to the committee.

CHAIR—Thank you. The committee will receive those as evidence.

Mr Abernethy—There are four documents there. The first is the note that I will talk to. The second document I refer you to is titled ‘Residential strategy’. It is a document prepared by the Launceston City Council. I stress that it is in draft form—in fact that copy you have is a very draft form and you may see some scribbles as you go through it. Please accept that as an apology; it is a working document. The second document contains two little tables that show a record of property sales in the Launceston area from 1990 to 2006 that I will refer to. The final document is created because of the first one, and that is titled, ‘Residential lot creation and take up 1990 to 2006’. It contains two tables in the portrait format.

From the outset Launceston City Council states that it is fully supportive of the concept of affordable housing. To us that means best use of land, existing infrastructure and good design. Affordable does not mean bad, cheap housing. Affordable can result in good quality developments that set benchmarks in medium density housing. That should be an objective of all affordable housing programs across the country. Launceston City Council is not a housing authority. Under Tasmanian legislation it is a planning authority and as a result can influence outcomes of affordable housing.

In looking at this topic I am going to focus on the issues that the council can influence rather than the wider scope of the terms of reference. The question must be asked: when did the concept of affordable housing start? Was it when the various housing authorities changed their policy of not investing in mass community housing, probably resulting in a shortfall in low-cost housing? Is getting other levels of government involved in affordable housing a cost-shifting exercise? In my mind that remains an unanswered question.

There are ways councils can influence the cost of housing. Firstly, they can promote the concept to developers and investors. That is certainly something that the Launceston City Council takes very seriously. They can acquire knowledge of land that is development ready. Again that is another strategy that we adopt quite vigorously. Other ways include sharing the cost of infrastructure, some subsidy for fees and charges and some rate subsidy. Councils are often asked to subsidise various things. The question always arises, whatever topic it is, be it affordable housing or other types of organisations seeking assistance from us: why should one level of ratepayer subsidise another? I think that would also be true in the concept of affordable housing.

In reviewing the Launceston City Council planning scheme, there has been extensive work undertaken with regard to the supply, demand and turnover of residential land. The city has been broken up into discrete precincts, which are described in one of the documents I handed you. We went through the city by precinct looking at the take-up of residential lots, the lots that were created that year, the number of new dwellings actually built and the number of new units, that is, multidwellings built on that lot. That document puts that into table form for the whole of the city.

Looking at the first page, titled 'Alanvale', you can see that for that period 184 lots were created. The actual take-up of lots exceeded the lots created, so there must have been a good supply in that area already. The number of dwellings built was 285 and the number of units created was 151 units on 52 lots. The bottom table goes on to try to summarise within that particular area whether there are larger parcels of land that could be further subdivided for housing. We find that we probably have five lots there with a total area of 16 hectares. So we went through the city, suburb by suburb, precinct by precinct, to get a snapshot of the city in terms of residential development.

As a general finding, the city was oversupplied with zoned residential land. This is a general statement and when one factors in available infrastructure and specific locations then there is a different picture across the city. The Real Estate Institute will tell you there is no good land available—probably by good land they mean serviced, easy to develop and in a good area. There are lots and lots of land that are available serviced across the city. The shortage of land generally occurs—Senator Barnett will know these—in the suburbs of East Launceston, Norwood and West Launceston. There is very little land left in those areas to develop. The other thing we looked at was the zoning of land. Again we went for a benchmark that is accepted by the planning industry of about 10 years supply. Again it was the same pattern across the city. In certain areas there was a supply and in certain areas there was not. One of the things we refer to there is the sale of properties across the city from our records in the rating area. Again, you can see the same suburbs and precincts. This time the second column is the sales for that area as a percentage of sales in Launceston. Again, looking at Alanvale, for the year 1990 there were 37 property sales representing 4.92 per cent of sales across the city for that area.

In collecting all that data and various other things—infrastructure availability—we have developed a residential strategy for a review of the planning scheme, which I must stress again is very much in draft form. The draft does have the approval of the council. There are just a few minor areas to be confirmed. By advancing this type of approach we feel that we are helping the affordable housing market, and that we can identify areas that are already development ready—they are already serviced and are ready to go for housing.

As a city we have not kept up with the supply of available infrastructure in certain new subdivisions. This has come about as a result of decades of very low demand and there being no need for the city council to invest in new infrastructure. So we probably did not help the market particularly with regard to that area.

We do not operate a system of headworks charges for new developments. Thus new developers can capitalise on past investments in services by both councils and private investors. Up until now, we have really worked on a principle of first in pays for the cost of the

infrastructure and then the others can come along and benefit from it. Generally in the past the council has contributed significantly to the investment in infrastructure.

It is all very well to build your strategy around these things, the known and the past, but the one thing that we miss is the new markets. The city and Tasmania have in the past few years looked at great growth in the areas of sea changes, tree changes and those wanting life outside of major cities. Some of that has also come around by migration policy and that has placed a great pressure on rental markets and the availability of property.

We have also seen a decline in our household size which again has brought in a new market. We have gone down from 2.8 persons per household in 1990 to 2.3 in 2006. That has created a greater demand for a new type of product—that is, a smaller house on a smaller lot. You can see that I have listed 1992, 1993, 2003 and 2006, when the number of units/multidwellings in the city exceeded the number of single dwellings. And I have given you a snapshot of the property market in that 16-year period.

The period from 2002 to 2004 saw a huge increase in property sales in the city and that put a lot of pressure on the rental market. As the prices increased and property values increased, rental prices increased as well. Other than that anecdotal statement, the council really has no records or influence on the rental market and would bow to people like the Real Estate Institute for more detailed comment.

We also look at changing markets and I use Mayfield as an example of a suburb that is in transition. Mayfield was generally seen as a housing commission area, a lower socioeconomic area. If you look at the tables in the documents I have given you, you will see that there was probably very little demand for housing in the last 17 years, but things have changed. Probably since 2004 there has been a lack of investment by the housing department in community housing and an influx of mainland investors who have come to areas like Mayfield and bought multiple houses in one raid, as I have called it. It was not unusual to hear of people buying five, 10 or 15 houses in one visit to the city. There is also the influence of the university and the Australian Maritime College being close to that suburb. The suburb has changed from an area where traditional families lived for maybe two or three generations to an area that has seen an influx of fairly wealthy people, who have come along as students. The change has been that the income from a rental house has gone from about \$140 a week to about \$240 or \$280 a week, and it is mainly students who are sharing those houses. So the traditional market has been pushed out of that area.

With regard to rating, council adopted a policy of equity within land-use types in its rating model. It has not considered the concept of some rating differential for affordable housing, and I would suggest it is probably unlikely to. Being a valuation based model, low-value houses tend to attract low rates anyway. We will encourage building re-use for residential purposes. Actually, we have a fairly good track record of supporting such uses, mainly in the inner city. That leads to another interesting dilemma for us. We have been very successful in attracting inner-city-type developments, but they tend to be at the higher end of the market. We have seen the cost of inner-city units hit the \$1 million mark, which I suggest is hardly affordable for the majority of the population. Something we would really like to pursue with landowners and developers is the concept of affordable housing within the inner city, and we will look at a very flexible planning scheme arrangement to make that happen. We do have a certain area within the city where we

will not require any car parking on site, and that is seen as an advantage by certain parts of the market when looking at residential uses.

I have described the residential strategy so I will not go through the types of things that we have covered in the document there. One thing I will add to that list though is the concept of 'willing owners'. It has been all very well in the past to zone lots of land for residential or other purposes but if you have landowners who are not willing to develop you are really wasting your time. One thing this new planning scheme that we are trying to develop will look for is people who are prepared to work with us so that we can keep this high turnover of land happening into the future and ensure that people are not just sitting banking the land for future years. I would look at promoting the concept. These are some of the things that we do in the city council. We have a knowledge of a range of sites and we are talking to developers all the time about affordable housing.

I must highlight one bad example that we have had recently with regard to state public housing and the concept of affordable housing. Various parcels of land put on the market for affordable housing were put out for tender and the contracts that were issued with them were very specific: you will do this on these particular lots. When the successful tenderers came in with their development applications it was with some embarrassment that we saw that some of the plans did not meet the requirements of the planning scheme. We feel that if the state government had actually come to us first and got a development brief for each of the sites we could have gone forward together with the state government rather than seeming to be fighting with them. It was a bit of an embarrassment for us and it was certainly an embarrassment for the people who had put in tenders in good faith to develop those blocks. It is something that all parties, I think, had wished had never happened and we would like to work on it in the future. Anecdotally, in talking to developers I find that the state government return on investment being offered for affordable housing is 3.1 per cent and the cost of finance for this particular developer was 8.5 per cent. His summation is: why would I bother? Thank you.

CHAIR—Thank you very much and thank you for the material that you have provided to the committee. The comments you made earlier about land supply and where the preferences of developers lie were interesting. There has been lengthy discussion around this committee table over the past few weeks with witnesses about land supply issues from Karratha to Campbelltown so it has been a fairly broad assessment. How is that playing out in terms of prices in Launceston? What assessment do you make of the land supply issue?

Mr Abernethy—Again, anecdotally, all the easily developed flat, well-serviced blocks have gone. If any of those still do exist, they are attracting a premium in terms of cost. This leaves the blocks which are somewhat difficult to subdivide and service, and that could be for a number of reasons such as topography or the general location, or the orientation might not be particularly good so the block does not get a lot of sun for a lot of the day. Those blocks can still be secured at a reasonable price, and I am struggling to put a price on them because the price per hectare varies so much across the city. Certainly in those good suburbs that we mentioned, if you had such an animal available and you subdivided a block maybe to 800,000 square metres, you are probably looking at close to \$150,000 to \$200,000 for a block, whereas a few years ago you would have probably picked up the same block for around \$80,000 or \$90,000. If you have got a well-serviced block that is subdivided, ready to go in a good suburb, you will get good Launceston money for it.

CHAIR—Whose responsibility is it to service the block? Is it council's? Is it state government's? Is it the developer's?

Mr Abernethy—It is certainly council's responsibility. In putting that strategy together we have come up with—and it is probably used by most councils—the practice of making use of your existing infrastructure first because it is already paid for and already in the ground. So our No. 1 strategy is to use that existing infrastructure.

Where new infrastructure is needed and it is the direct result of the development being proposed, the developer will pay for that as it relates to the site. Where there is offsite works, maybe upgrades of sewerage treatment plants and pump stations, council will generally contribute fairly significantly towards that because it is seen as being an overall public gain. That might be different to a lot of other councils across Australia, because they use headworks charges to try and recoup some of that cost. That is something we do not do, but we are being forced more and more to probably look into the concept of headworks charges.

Senator MOORE—I have got a couple of questions. One is not particularly on this issue; it is about rating. Does your council provide discounts to people who have pensions for rates?

Mr Abernethy—Yes, we do. I cannot tell you the rate—

Senator MOORE—I am trying to build that into the overall picture and whether people who are on limited incomes have got that. You do provide a discount to your rating process?

Mr Abernethy—We do. It is a state government scheme, but we implement it through our rate model.

Senator MOORE—Yesterday afternoon I drove past the university and the college and I saw a huge block of land near that that has a sign 'for development, university villas'. Can you tell me a little about? It seems to me that it is in one of the suburbs you mentioned. It is flat, and I am interested in what the process is on that piece of land.

Mr Abernethy—That piece of land used to be a nursery, and an investor from Queensland bought the block and has come up with a concept called—

Senator MOORE—I did not know that.

Mr Abernethy—His name is—no.

Senator MOORE—I honestly did not know that.

Mr Abernethy—I take it you are from Queensland.

Senator MOORE—I am a Queensland senator, yes.

Mr Abernethy—The developer bought the block and the concept he has put forward, because of its location next to the AMC and the university, is student accommodation with a limited range of commercial type activities. The particular type of accommodation is very interesting.

He is a Chinese gentleman and he believes he can appeal to the Asian market with it. It is a dwelling house on the upper floors with a small office type shop area underneath. So the idea is you can come in as a student and study at the university and run some sort of business from the ground floor at the same time. All his permits are in place, and this is probably an example of us working very closely with a developer to try and get something happening. I would say finance and interest rates have caught up with him, and he is finding it very hard to finance that development.

Senator MOORE—It is a big block and in the little picture it says ‘high density’, so there is a lot there.

Mr Abernethy—There is a lot there but there is also a fair bit of open space. Whilst it is flat, Newnham Creek runs alongside it, which is subject to inundation at certain times of the year, so there is a fair setback from the creek to prevent the flooding on that site. It is a staged development so, again, we have broken it into stages with him to try and help the financing of that block.

Senator MOORE—Whilst the focus is student because of its location, is that classified as medium-cost housing?

Mr Abernethy—No, it would probably fall under the concept of affordable housing. His target is students. There are also sections for lecturers and maybe slightly upmarket types but there is also—

Senator MOORE—The university population.

Mr Abernethy—Yes. There are also some units that will be used for transients—for visiting lecturers and visiting students—so that you come in and rent an apartment for three months, rather than owning one.

Senator MOORE—So it is also close to the city from my perspective. From a Launceston perspective, is that close to the city?

Mr Abernethy—That would be a day’s journey!

Senator MOORE—I thought that might be the case.

Mr Abernethy—It is close to the city. It is certainly close to the Mowbray district shopping centre, which has a good range of services.

Senator MOORE—My other question is about the unfortunate process of the state government in planning that you described. As a result of that, has there been any kind of commitment to not letting that happen again?

Mr Abernethy—We have certainly made that commitment. We are still waiting on a response. This was only last week, at the last council meeting. It is pretty recent. If this were last week, you would have been waking up this morning to all these ‘Council bashes affordable housing’ headlines. We have certainly committed to it not happening again and we have written

to the state government offering to sort out these particular blocks that we had to refuse, but with any others that come on the market we would like to be involved early in the setting of the terms and conditions of the contracts that are put out.

Senator MOORE—So the ones that were refused were affordable housing, under that heading. Was there any way that the process could have been amended to allow them to go forward or was it just impossible to reach a solution?

Mr Abernethy—There were three blocks that were knocked back. Two of them were actually adjoining blocks. Our solution was: do not try and cram four little housing units onto two blocks; join them together and you will get three good ones. One block in particular was a fairly regularly shaped block—it was only just over 500 square metres—and they were trying to cram two units onto it. This was a great example of really bad design, because the areas of private open space that were being created would never get any sunlight because they were shadowed by the development on their own block.

Senator MOORE—So it would be miserable.

Mr Abernethy—It would be pretty cold.

Senator MOORE—So what has happened now with that? Has it gone back to the state to get their act together?

Mr Abernethy—Those ones have been refused. We are coming to the end of the appeal period. We do not know if the applicant will appeal. I doubt he will. But we would like to think that those two in particular could go back to the state with a solution to consolidate and come back with a redesign.

Senator COLBECK—Just further on from that: is that part of the state government's current process of provision of affordable housing? So they have gone to one of the agencies, one of the community based groups, offered a parcel of land, as you have said, with fairly stringent criteria, as part of their current plans for development of affordable housing.

Mr Abernethy—This was really cleaning up the individual blocks that already existed, but it was a similar sort of process. They identified parcels of crown land in established residential areas that were, obviously, in state ownership and put those out to tender. So it is not the 'We'll build 40 houses' concept that we are going through now. It is probably the step just before that. Each lot was given a yield and then the lots were individually put out to tender. It just so happened that in the case of the two lots that are together that I described before it was the same company that won both tenders. So their application came in at the same time. It could easily have been company A and company B that got those tenders. If that had been the case, there would have been no solution to it.

Senator COLBECK—Do you have any figures—and I accept that you might not have them ready now—on the number of Housing Tasmania properties within the Launceston city area?

Mr Abernethy—We would have those, but I do not have them here.

Senator COLBECK—I would be interested if you could give us some figures over a period of, say, 10 years so that we can get a bit of an idea of where the numbers have gone. We have asked a similar question in other states so we get a sense of the offering that is out there from each of the governments at a state level. I would appreciate that, if that is possible.

Mr Abernethy—Yes.

Senator COLBECK—You talked earlier about headworks charges and the fact that you do not charge them here in Tasmania. You also said that you were being pushed to look at that. Could you just expand on that for us.

Mr Abernethy—Launceston City Council does not charge headworks charges. I think some other councils in Tasmania do. Why are we being pushed to look at them? I will use an example in Youngtown for this one. There are four parcels of vacant land that go together to make up a fairly large holding. It is about 60 hectares. We have identified that as an area we would like to look at for expansion as part of this planning scheme review. It has very good connection out onto the connector road. It has connections in through an existing suburb. You have five individual land owners. Two of them are prepared to do something now. With the other three we will just see what happens in the future. The two that are prepared to work with us now are, unfortunately, the ones furthest away from where all the service connections are. If we adopt our current policy, we would put the cost of all the infrastructure onto those two properties and nothing would happen. I think we are looking at \$1.9 million to extend all the services to service the five parcels of land. If they had to bear all those costs nothing would happen. So we are looking at that particular project as being a way of trying to introduce headworks charges, where we can identify the cost of servicing each block. Council will probably bankroll most of it and then we will recover it over time as the developments for these other parcels of land come in.

Senator COLBECK—What about the impact of the legislation that is currently going through the Tasmanian parliament with respect to water and sewerage services? My understanding is that headworks charges are potentially a part of that process.

Mr Abernethy—That is right. That is the other little conundrum that we have to face. Within a year we will lose water and sewerage functions to an authority, albeit we will be a part owner of that authority but there will be other players involved in that. Yes, that is certainly something for the future. I understand that the authority will go straight to headworks charges.

Senator COLBECK—Does the council have a specific policy with respect to headworks charges as to whether it would prefer to charge those or not?

Mr Abernethy—The current practice is that the council has resisted it and that is probably one of the reasons why we have gone a little behind in terms of our investment in infrastructure. The extension of sewers and water mains et cetera then has to compete with a whole range of other things, whereas if you have headworks charges you would know that at some time in the future you will get some of your money back.

Senator COLBECK—You mentioned land banking. Do you have much evidence with respect to the incidence of land banking in this particular region?

Mr Abernethy—Not the extent of it, but we do know that there are cases of people banking land, but it would not be a significant total of the available land that we have.

Senator COLBECK—You talked about the demand in respect of the types of properties that were being offered and the reduction in household sizes. We have heard evidence in other states, particularly where the provision of properties is driven much more by the developers. The market here is very much developed by a property owner or an individual lot owner. Is the change in the provision being driven by that particular group and the demand at that level rather than by an overarching provision by a large development community?

Mr Abernethy—It certainly is not being driven by a large development community. Compared to other states, I do not think we have that animal here. It is being driven, I would say, by individuals wanting particular products and then the industry responding to that, albeit on a fairly small scale.

Senator COLBECK—In that context, there is a bit more diversity in the market offering than you might get in some of the states where the predominant offering on the new residential market is the four-bedroom, two-bathroom, two-garage type property.

Mr Abernethy—I would certainly agree with that. Yes, I think there is probably more diversity.

Senator COLBECK—I do not know whether you can answer this. We might get this from witnesses later in the day. Are you finding that new property development fits the actual needs of the owners in that they are the developers themselves and they engage their own designers and builders? In that context, is a fairly broad range of property offerings coming onto the market at a new construction level?

Mr Abernethy—I would probably bow to others to answer that one more clearly. One point that I would make is about the small scale of the industry. People may be buying a block and putting two or three multiple-dwelling units on it, knowing that they probably have a good chance of selling those. The market really has not been tested with a gross oversupply at this stage. There was a potential development in town that would have put about 100 or 180 units on the market at one time, and that fell over. I think there was probably a lot of nervousness around what that would do to the market for that particular type of development. It would be a gross oversupply.

Senator MOORE—That fell over because of market decisions? It was not a council decision or any other—

Mr Abernethy—No, it was not a council decision. It fell over because it was a very ambitious scheme—

Senator MOORE—It was a market decision.

Mr Abernethy—and it probably could not be financed, yes.

Senator FIFIELD—You mentioned that there was an apartment which went for, I think, \$1 million here in Launceston. Clearly there is a bit of money flowing around Launceston if that is the case. What was the nature of that particular site? Was it a premium apartment with fantastic views over Launceston?

Mr Abernethy—It actually has not been built yet. It is one of these ones that have been sold off the plan, and it is part of a development down on a site called Gasworks. It is the upper apartment, so, yes, it would have some nice views out over the city. It is a speculative development, units sold off the plan, and those ones got over \$1 million.

Senator FIFIELD—Would that be a record for an apartment in Launceston?

Mr Abernethy—I would say it would be a record, yes.

Senator FIFIELD—Is there not much in Launceston in the way of premium apartment developments at the moment?

Mr Abernethy—There is more and more, and this is what I was trying to allude to before. Maybe I am not explaining myself very well. The market is very small, so if a development comes on that has maybe six, 10 or up to 20 units the market will generally cater for that and there will be a demand there. I cannot think of many failures. Again, I will bow to others in the day who will know better than me, but I cannot think of many examples where that type of development has not succeeded in the city area.

When people come in from the mainland and say, ‘We want to put in 50 units,’ we as a council planning office will become very nervous at that and say, ‘Go and take some local real estate advice—you may find that is something in oversupply.’ But I think it holds true, because those developers never really come back, or they never come back with a development of that scale. I think any part of the Lonny market would be nervous of a big-scale development going in at any one time. To answer your question, yes, there are a number of good quality unit developments within the city, but they are well removed from the concept of affordability.

Senator FIFIELD—I was just curious about that development. You would be aware that the federal government have announced that as one of four points of their housing affordability plan they have a Housing Affordability Fund to which local governments can make applications for grants to cut red tape or to assist in funding infrastructure in some way. Is that something which would be of assistance to Launceston council? Do you have a handle on how that will actually work? I must confess, I do not. I am wondering if you may have a handle on how it will work and if it will be of assistance here.

Mr Abernethy—We are certainly aware of it. A bit like you, we are coming to grips with how that will work, but it is certainly something that is on our radar. If we believe it will assist the Launceston community then the council will certainly be putting in an application.

Senator FIFIELD—Do you have any particular problems with red tape, the speed of planning approvals or getting enough planning staff? Apparently one of the aims of this fund is to sort those problems out.

Mr Abernethy—If getting more planning staff is one of the outcomes, we will certainly be interested in that. That would be major issue facing my planning section at the moment. As an example, in the last two months I have gone from six development planners to three. I have advertised three times and I have had no applications.

Senator MOORE—Where have they gone?

Mr Abernethy—These are three planners that we grew, because we were struggling to find planners a few years ago and so we offered three cadetships to graduates in another discipline who wanted to become planners. They were three young ladies. We put these three ladies through a planning course and they stuck with me for two years after graduation, so I had them for four years as planners, which was really great. That was the most stable time that the council had had for probably 10 years in terms of planners. One went to a very good job with the Parks and Wildlife Service over at Ulverstone as a planner. One lady followed her husband down to Hobart and got a job with a private consultancy down there. The other one has gone off with her husband back to the mainland. There is lot in this to do with gentlemen stealing my lady planners.

Senator MOORE—Maybe you should legislate!

Mr Abernethy—I will look into that. Maybe a bylaw.

Senator MOORE—I think so.

Senator BARNETT—So if the fund could be used to import prospective husbands, that would be helpful!

Mr Abernethy—One of the strategies that we have adopted is to look overseas. We recruited an experienced planner from Scotland five months ago. He has been fitting in very well. On Friday afternoon, we interviewed a South African planner and he is very keen to come. Talking about red tape, the immigration process for getting that person here is fairly tortuous. If we offer him the job this week, we will not see him for probably three to five months. That is maybe something that could be looked at.

Senator BARNETT—Thank you for your submission. It is very comprehensive. Although it is a work in progress, it is very useful to the committee, so we appreciate it. I have a quick question on the example of what happened last week, when there was a good deal of media, as we recall. Was there any contact or consultation between Housing Tasmania or the state government and the Launceston City Council prior to the tenders being called?

Mr Abernethy—Yes. There was a call to the planning office to say that there was a list of properties coming through—about 30 properties—and that they would be obliged if we could give them details of water, sewerage, stormwater connections and the zoning of the land. That list came in in table form and the planners duly filled that in and sent it off with a note saying, ‘If there is any other advice we can give, please contact us.’ The next thing that we knew, there were adverts in the newspapers for these sites and DAs were being lodged for them. There was an initial contact to collect some information, but there was nothing about them requiring two units to be put on particular lots. That is where we could have given far better advice.

Senator BARNETT—Why do you think they did not ask for information and advice? From feedback that you have had from other councils around the state, are they doing this with other councils?

Mr Abernethy—It is a state wide process, so I imagine that the same model will be followed in each council area. Why they did not ask for further advice, I do not know.

Senator BARNETT—The *Mercury* today highlighted some of the housing affordability stresses that are occurring throughout Tasmania, including in Launceston. I am wondering if you have perused that and if you have any reflections upon it.

Mr Abernethy—I have not looked at the paper this morning, sorry.

Senator BARNETT—Fair enough. You mentioned in your submission at page 6 the rate of investment return. A developer mentioned three per cent and the cost of his mortgage finance was about 8.5 per cent. Can you relate to where that businessperson is coming from? Is that consistent with anecdotal evidence and other evidence that you might have?

Mr Abernethy—I heard the story while I was writing that. On Friday, pursuing another inner city development, I heard the same story. There was a slightly different figure for the cost of the finance, but there was around about the same difference—five per cent. Why would they bother?

Senator BARNETT—You have mentioned the residential lot creation in your attachment. Can you identify in your attachment where it shows that most of those new lots have been created, or is that in a separate advice that you can provide the committee?

Mr Abernethy—It is in the geographic area of Alanvale. I think you are referring to the document ‘Residential lot creation and take up 1990-2006’. Each page shows a particular suburb. It starts with Alanvale and then goes to Mayfield. That page shows the lots that were created over that period in what would be the accepted suburb of Mayfield.

Senator BARNETT—In the document ‘Property sales in Launceston municipal area’ it says 5.42 per cent for Alanvale and 0.14 per cent for Rocherlea. Is that the document?

Mr Abernethy—They are the property sales. Again, I do not have records of which streets they would be in.

Senator BARNETT—Fair enough. Finally, in terms of your comments on a need for a coordinated approach, is that a holistic, general recommendation that you are making to the committee and what do you see this coordinated approach being comprised of?

Mr Abernethy—It is. Certainly if the state government has land to be released, it should do so in a coordinated way with discussion with the council so that we can at least have input into when and where the land is released and if it can be serviced. If it is private sector, again, there should be a similar sort of thing, just so that we are aware of land that is coming up so that we can comment on services. In planning our supply of land, we should work with other agencies that provide services, like Telstra and the new water and sewerage authorities, to make sure that the blocks that we are putting on the market as being development ready are indeed development

ready and that we do have these things or willing owners that are prepared to have the development up and ready.

Senator BARNETT—Would it be good if that went through the local government association or should they do it individually with each council? I am not sure how they do it in other states, but do you have a view on how it should occur in Tassie?

Mr Abernethy—I think broad principals could go through the local government associations. When we are down to that level of detail, everything should go through the individual councils. But, as a broad principal of working and cooperating, it should probably go through LGAs.

Senator MOORE—You talked about the training packages you are providing for your planners. Is that course available here, locally, or do they have to do it by correspondence? How do they do the training that you require?

Mr Abernethy—The one that we put our planners through a number of years ago was done through the University of New England. It was a distance learning course. Recently the University of Tasmania have started courses in environmental planning at the graduate diploma and also the masters level, so we would probably now opt for those ones first before going offshore. But certainly the New England course was ideal for the people that we put through.

Senator MOORE—You can work while you are doing it as well.

Mr Abernethy—Yes, you can do it on the job.

CHAIR—Mr Abernethy, thank you very much for joining the committee this morning and for the material that you have provided us with. It has been very interesting and helpful to our inquiry.

Mr Abernethy—Thanks very much.

[9.49 am]

BUSHBY, Mr Peter Maxwell, State President, Real Estate Institute of Tasmania

CHAIR—Good morning, Mr Bushy. Thank you very much for joining us. I would like to ask you to make a brief opening statement, and, as you have seen with our previous witness, we will go to questions after that.

Mr Bushby—I apologise in advance because I have a cold. I hope my voice holds up. I address you today in my capacity as the State President of the Real Estate Institute of Tasmania. I wish to raise a few points for your consideration at this hearing. Many of these, I am sure, will have been addressed probably far more eloquently by others before me, but I see them as issues that contribute to, and have a direct effect on, affordability of housing, not only here in Tasmania but, probably, many are relevant all around the country. They are presented in no particular order of priority.

The Real Estate Institute represents around 95 per cent of Tasmania's estate agents and their staff. Most are involved in sales and most have rental management businesses within their businesses. In our day-to-day work we sell properties to a broad spectrum of buyers, from first-home families through to retirees, investors and the like.

Those who operate rental management divisions manage properties for investors, and our obligation is to get the best outcome for these clients. It needs to be said from the outset that we are not in the welfare housing area. That domain has traditionally fallen to and should remain a responsibility of government.

Sadly, as property gets dearer, so do rents as well as mortgages and, to a degree, this is why we are all here today. We do not control the prices, be they property values or weekly rental costs. We operate in a free market very much dictated by supply and demand. They are an outcome of our collective efforts. In reality, it is the governments of the day—both federal and state in the main and, to a lesser degree, local government—that set the economic environment. The property market reflects the broader community's needs and desires. In fact, only late last week our Prime Minister referred to the supply shortage of housing and the estimated need for another million properties in the next six years to alleviate the shortfall in the estimated demand.

Wages in Tasmania have not kept pace with increasing property prices and it is now very difficult for people to enter the market and buy property or purchase land to build. In fact, Tasmanian wages in many cases appear to be well below mainland counterparts doing the same task. The unions here in Tasmania are currently running a television campaign highlighting that inequity. For those renting, even finding the rent can for many be a challenge, let alone attempting to save towards a deposit for a home.

House prices in Tasmania rose from a median price in 2007 of \$250,000 to currently, in 2008, a median price of \$283,000. Another sobering statistic is that back in 2000 the median house price in Tasmania was mainly around \$100,000. The market remains steady and there is no sign whatsoever of prices declining as has occurred overseas, in the USA for example. This is partly

because the house price increases during the recent boom years were a catch-up on reality for our prices. Tasmania was way undervalued for years, certainly against many mainland metropolitan cities and even regional centres.

Looking at rentals, tenants' expectation of the standard of rental properties and their condition is now much higher and properties need to be better presented, which adds cost to the rental investment on which, naturally, investors seek at least a fair return. Naturally, as these landlords have improved the value of their rental properties they expect a higher return, which also causes poor affordability and leaves a shortage at the bottom end of the rental market. Unless, as an investor, you take a long-range position, we see the attraction of property as an investment waning for the time being, given the poor returns against other investment options. You are lucky if you get five per cent gross at present from residential investments in Tasmania. Out of this you have to pay land tax, council rates, your loan, ongoing maintenance, vacant periods, possible repairs to damage and agents letting and management fees, assuming you use that service, and so on. There is a heavy reliance on tax incentives and capital growth to balance this investment equation. This growth is at present questionable, so putting your money in the bank at eight or even nine per cent has become attractive and safe to many, while others see shares and equities as better performing than residential property. The net effect of this is fewer rental opportunities and further tightening in a tight rental pool.

Interest rate increases increase the uncertainty of where they may ultimately end up and recently have made many potential buyers nervous about committing to investing in a home, be it to live in or as an investment. But, unlike in some other states, Tasmania to date has not had the level of mortgagee sales from people who can no longer meet repayment obligations. That said, higher interest rates are biting, but the level of debt that Tasmanians have undertaken is still for most in the realms of being manageable, albeit with serious sacrifices, primarily due to lower property prices and therefore smaller loans, compared to some interstate who have extended themselves way too far.

By way of example as to how the recent interest rate rises have affected property sales here in Tasmania, our REIT members report a state wide average drop in sales volume across all property categories of 31 per cent for March 2008 over the previous year's figures. We attribute the cause directly to rising interest rates. It is too early for the April returns, but I suspect we may see some improvement against the March result as the public get used to the latest increase and get on with life, and that tends to be what happens.

When looking at rental properties, many investors have their properties geared. That, of course, means a loan and, with increasing interest rates, unless they get a greater rental payment to cover this increase, they have to wear the increased cost. This naturally makes the investment less attractive, less viable and sometimes to the point that they may get out of the property if they cannot get the return they need, nor necessarily even want. Even if they get more per week for the property, there is usually a lag time as most properties would be under a lease restricting an increase until the end of the next lease period, assuming the market can sustain an increase. This factor has, I am certain, caused many would-be investors to stay out of the market and thus not providing additional rental stock. With choice there is competition; without choice, you have a shortage and this causes greater strain on an already tight market where rental availability is concerned. The outcome of increasing interest rates is that ultimately it gets passed on in part at

least and the result is that the tenant pays more rent making housing affordability in the rental environment harder again.

Many Australians have invested in real estate property or properties as an investment for their future, particularly during the boom years a few short years ago when the stock market became unattractive to investors. National statistics show 60 per cent of these people are your mum and dad investors—normal Australians—not the rich and wealthy. Accordingly, talk in recent times about abolishing negative gearing as it is seen by some as a rich man's tax avoidance scheme will be hurting the wrong people. Furthermore, these investment properties are rentals, so you would be depriving those requiring rental accommodation at a time when there is a major shortage of rental stock available.

Despite the 2020 summit recommendation, we strongly caution and advise the Rudd government to not remove negative gearing as removal will further exacerbate the tight rental market and create a rental crisis, not to mention potentially ruining many normal, not wealthy, Australians financially who have stepped up in a system in creating housing for fellow citizens, filling the gap at a time when provision of government housing has diminished dramatically. Removal of negative gearing will have dire consequences. It must be retained. It will be disappointing if the Rudd government broke an election promise. Many, if not most, investors would be relying heavily on the integrity of the government to maintain this taxation write-off as they promised prior to the last election to make retention of their investment possible and continue to offer rental property for those who need or wish to rent.

The first home owners grant helped people a lot but it has not been adjusted following the increase in prices, and this helping hand is far less meaningful. By way of example, we will use the statistics I gave on average prices. If you were a first home buyer back in 2000, you would have received \$7,000 towards your medium-priced \$100,000 home. To buy the same home today, you still get \$7,000 but that same home will now cost you \$283,000—in reality worth about a third of what it was eight years ago. There has been some suggestion of capping the grant on homes at a certain level or to means test them so it helps the right people, not those who do not need it. This makes sense, and we support this sort of measure provided there is an increase in the amount of the grant coupled with a sale price cut-out point threshold that is realistic and covering all Australian marketplaces.

Planning issues remain a constant concern, not so much in the plan itself, which might be consistent around the state, but the interpretation of it and how it is implemented, which is often different with each local government body. Often there is a catch-22 situation with developers wanting to open up areas for residential development, but councils are not keen on providing infrastructure that they need to carry until the land is developed, sold, titled and homes are built and rates are forthcoming. But without the infrastructure, nothing happens at all.

There needs to be much more forward planning on a more regionalised and even state wide basis, not just at individual council level, so that we can create communities in a structured and integrated way, not ad hoc as it has been. I know the state government, particularly former Attorney-General Stephen Kons, had been moving in this direction and we encourage them to complete this task and we look forward to that outcome.

The time frames for developments with local government and state departments can often cause grief for developers too. Approval processes need to be continually reviewed, with the view of making it easier to get answers and approvals. Appeals can be drawn out. Delays cost money and this ultimately translates to higher end costs for the consumer.

Suitable affordable house and land packages could and should be promoted in some sectors, but in appropriate areas where they will not lead to stereotyped box housing estates, with the associated social issues. Again, these probably need to be driven by government, as the private sector are there essentially to make money and, realistically, developers are not charitable entities very often. If affordable housing is to be created, we see government being the primary service provider. I was pleased to see on TV news last week that the long-awaited Tasmanian government affordable housing initiative is starting to move forward, albeit much more slowly than had been indicated and expected. Involvement of the private sector relies heavily on the need for attractive investment returns, otherwise the private sector will not participate, and why should they if that is the case?

The state government over recent years has cashed in on many state owned housing properties that would have traditionally provided more affordable rental housing for Tasmanians. This practice is continuing, as I understand it. Those buyers appear to be buying at close to what I regard as market prices for these properties and their locations. I would suggest this program needs to be reviewed as to the benefits gained from it. I do not know the numbers of homes operated by the government now compared to, say, 10 years ago, but I imagine that figure would be considerably lower now as a result of the sell-off, despite some ongoing purchases.

There is a perennial call for a review of land tax, stamp duty and capital gains tax as a means of alleviating the financial burdens linked to housing affordability. When you look at stamp duty, for example, our state government has enjoyed a massive windfall from property price increases here in Tasmania. The average sale price is now standing at \$283,000 and they now get stamp duty of \$8,870, compared to back in 2000, when the average sale price was \$100,000 and they received \$2,425. This is an increase of about 350 per cent. By contrast, the property owners' increase is 183 per cent, which is way less in percentage terms than the government gets. It is, however, the purchaser who carries the extra burden of this increase. We do acknowledge that, for some first home buyers, there is some relief in relation to stamp duty from the state government, but this tax needs to be overhauled to assist housing affordability generally.

Land tax is a serious and highly contentious issue too. It is fast becoming a burden for all property owners beyond their principal place of residence, which is exempt. If you are lucky enough to own a few properties, you are penalised even more, usually a lot more, particularly as increasing prices have pushed through the payment thresholds. As a result, there is little or no incentive to buy rental properties, certainly to provide affordable housing, as this again diminishes your return from the investment or investments, particularly the more you have. I know a number of investors who have ditched their investment properties as a result of increases they cop from land tax alone.

One of the solutions may be to look at more units and specialised homes for the ageing population. At present, the downsizing from a traditional home to a unit, for example, has financial implications, and unless this is addressed many people will simply stay put. However, these existing homes may be affordable and ideal for a young family, hence this could have a

domino effect within the community. It is worth considering state and federal taxation initiatives to downsize. Side benefits of reduced energy costs and smaller, smart dwellings would also flow.

I have a final observation, on an issue that I personally find quite intriguing and, frankly, quite frustrating. It is the way that our Reserve Bank really seems to have only one weapon in its arsenal to combat inflation. Of course, I speak about interest rates again. In the most recent inflation figures, the main current causes of the latest blow-out of the inflation rate are housing costs, fuel costs and food costs. The main reason housing costs got dearer was the increase in interest rates. There have been 12 increases in the last couple of years and three in the past few months. So what do they do to fix the problem? They put interest rates up again. It is a self-fulfilling prophecy. Sadly, those who have a mortgage—which is only about 35 to 40 per cent of the population—or a business with borrowings, or investments with borrowings, and, ultimately, to some degree, those renting from them as well are the primary victims of the approach that is designed to quell overspending by the general populace and contain the inflation rate to acceptable levels.

These are real people who the Reserve Bank uses as their pawns in their game of economic chess. I sometimes wonder whether they recognise this in their quest to manage the economy for the federal government and ultimately the people of Australia. As we see it, there is no single silver bullet to solve this problem, but perhaps a collection of initiatives at state and federal level will have a positive impact that will assist those in need. I thank you for this opportunity to make this presentation.

CHAIR—Thank you very much, Mr Bushby. Thanks for the information that you have supplied to the committee. You referred earlier in your remarks to the Prime Minister's statements about the shortfall in available dwelling stock, which he estimated in his most recent remarks at around a million houses. What we have learnt in recent weeks is that that is not the only shortfall. We also have a shortfall in construction workers; we have a shortfall in planners. We also have issues around land supply. It is all very well to say that we need to build one million new dwellings, but land supply is a big issue. I saw in today's *Mercury* a reference to that very issue and about the need for the state government here in Tasmania at least to release more land to enable further construction. What is the REIT's view on that issue here in Tasmania?

Mr Bushby—I have not seen the article in the *Mercury*, so I cannot comment on the specifics. We do have concerns that there is a lack of suitable supply. My experience from a local point of view—I am Launceston based—as an estate agent is that, despite what some feel, we have plenty of land in the environment. Not all of it is good land; not all of it is easily developed land. We have talked about this at board level. We support the concept of getting our planning right on a statewide basis and having more of a master plan. If you take, for example, Rubyanna in Queensland—I have had a bit to do up there in recent times—40,000 lots are in the overall development. It is way bigger than one developer can handle. They sell off portions to different developers. That is more households than the greater Launceston area has. They have a master plan. They know exactly how the whole thing is going to evolve.

From our perspective, here we have five councils all having a chip at getting an outcome and all protecting their own environment. We do not seem to have a cohesive approach, yet the major council is providing the greatest amount of infrastructure for the whole region. It is all out of

whack. We would like to see that replicated, not just on a regional basis but on a statewide basis, so that we can look at where Launceston and the region is going to be in 20, 30 or 50 years. At the moment, it is: 'What's the next development? Let's deal with it and get it through if we can—if we don't get too much opposition.' It comes back to planning issues as well. Obviously, the trade skill shortage is a very serious problem. I am well aware of Ian's problems with the lack of planners. I have met with him and we have talked about these things. It is a problem.

CHAIR—We visited the Gold Coast in this series of hearings, so we had some discussions with councils and other representatives there, such as the developers and the UDIA and so on. They have their own set of problems, I suspect.

Mr Bushby—I am sure that they are everywhere.

CHAIR—The strategy is attempting to address those, but I do not think that it can do it all in one go.

Senator MOORE—We were able to talk with the Reserve Bank a couple of weeks ago. I would like your industry view on this. One of the issues that the gentleman raised was that he thought that the 30 per cent level that we all talk about in terms of housing stress and which has been covered at length in today's Tasmanian newspaper was not something we should be totally wedded to. He said that it was perhaps something that was a convenient level but in fact was not as all-encompassing as a lot of us have tended to say. A lot of us have quoted that anything more than 30 per cent of your income means that you are in housing stress. Does the institute or its members have any view about that?

Mr Bushby—I do not know that it is an area that we have addressed, to be honest. I know that the banks in the past have always regarded it as a safe lending plateau, if you like—around that sort of number. After that point, they see people going beyond their capacity to service it. It comes back a little to the Tasmanian environment where, sure, our property prices are lower on a regional basis than most places but our wages are also lower as well. I cannot really make a comment on where the stress level kicks in for most families. But I am sure it is not far from that—it is getting dearer to fill up our cars, and we are all complaining about grocery prices and so on. It is costly to live, and housing is part of it, unfortunately. We do not have a view on what the number is.

Senator MOORE—It is just interesting—it is quoted so often, and we had the Reserve Bank actually question it. So it was confronting for me.

Mr Bushby—It is to do with household income. It depends on how the income is actually divided and how it comes back to paying the household housing costs, as well. If you have a couple of children still living at home, are they contributing to the household rent and so on? It is based on census figures, I presume, isn't it? At least as far as how they measure it.

Senator MOORE—In your opening statement you talk about appropriate housing, in terms of planning and so on. One of the things we have heard in many places is that there seems to be a model of product that is the preferred option for developers and for sales. It is the standard building. It is referred to a lot as the McMansion. I think it has become almost jargon to use that word. But it refers to the bigger dwelling with multiple bedrooms, multiple bathrooms and

multiple car places. It is a product that is churned out. From your perspective here in Launceston and in terms of the product being offered, is there a variation or the need for a variation on that? We have heard in a number of places that a dwelling that is more focused on single people, whatever that would be, is something that has not been marketed effectively, and could well be looked at.

Mr Bushby—In reality there are probably three or four different models that work. It was interesting to hear Ian's comments and the questions that you raised with him. Tasmania is three per cent of Australia, no matter what you measure: buying cars, selling properties. We are a very small player in the overall national scene.

Senator MOORE—Everyone has their own thing—Tasmania is three per cent, is it?

Mr Bushby—I think that is right, but I am not sure that the Tasmanian senators will agree with me there.

Senator MOORE—So you are more than three!

Mr Bushby—We do not have the major Lend Lease type operators and developers down here. It is more your builder working with his nail pack and hammer building his own units. Sometimes there might be a slightly bigger organisation. I have referred to the gasworks project down here. That is probably as big as it gets in Launceston, and there is some corporate involvement there.

Senator MOORE—Is a mainland corporate group involved in that?

Mr Bushby—No, that one is actually mostly Tasmanian. I think it is a Vos group, which is a big Tasmanian construction group. I think local architectural firms put the syndicate together, from memory.

Senator MOORE—It is not the big ones we hear about—Delfin, Multiplex.

Mr Bushby—We are not attractive to them because we just do not have the volume. Subdivisions are historically more the result of someone owning a parcel of land on the side of the city developing it or selling it to some local syndicate or developer who is doing the work in that regard. To come back to answering your question—I apologise for that: the four bedroom, two bathroom, double garage, two living area model is what most families aspire to, but not every demographic of a buyer now is actually the family. You have the ageing retirees who are looking for level, easily maintained, economical to run, smaller houses. You have your trendy flats, and your inner-city apartments. They are your four basic models.

But people's expectations change. When I started in real estate in 1972—I know I look young!—the average new house that was built in those days was one up in May Street, Prospect. It was three bedrooms, about 12 squares, and maybe it had a funny little family room if they could squeeze it in the design. Everybody aspired to that. That would have been selling for about \$10,000 to \$12,000. Now people's expectation of a new house is more your four bedroom, two bathroom, double garage model, even when they are starting out. That is 25 squares instead of 12—double the size. The units that are being built today are bigger than those houses of 30 years

ago—the suburban units that maybe a widow, a single lady or a couple who have retired or are trying to downsize have moved into. So there are different models, but at the end of the day it is the buyers who really dictate what the market creates, in my view—whether they get it right sometimes is another thing. A developer who is building even two units is silly if he is not listening to what the market advice is—to create a product that is going to sell. Otherwise you end up with a white elephant that is going to sit there and cost you money.

Senator MOORE—Do you get many of those?

Mr Bushby—It happens from time to time.

Senator COLBECK—I think you are describing a very different market here, with different drivers with respect to who is putting the product on the market, from what we see perhaps in Sydney, Melbourne and the Gold Coast. It is a very different process. What is your perspective on the market's capacity to meet demand at the moment, particularly in respect of trades? You have made mention of the amount of good land to develop in the city, in this region. What about the general capacity of the market to meet construction requirements? We have heard a lot about that in other areas and I would like to get a sense of that here.

Mr Bushby—I do not know that that is really a Real Estate Institute area of involvement and understanding. I can make an anecdotal comment from my own perspective. When I talk to the builders and various tradespeople around the place they say they are still very busy here even though the market has softened. The flow-on is keeping on going. It is still fairly hard to get tradesmen. If you want to get something at home fixed, it is fairly hard to get an electrician, plumber or whatever; they are all still flat out. And they are all getting older. That is the issue. The people who know what they are doing are actually analysing what our forward capacity is. The pulp mill as well in this particular region is going to put immense pressure on us. A lot of trades that they are going to need down there are going to be taken out of a fairly tight trades pool now.

Senator COLBECK—You mention that returns on rental properties at the moment are running at about five per cent, which is having a detrimental impact on people being prepared to get into the market. We heard from the Reserve Bank last week that the long-term return was about six per cent. My sense is that you think that the expectation is a little higher here although you did talk about needing to take a long-term view of it. Can you give us a sense of where that might be running with respect to the market, in a longer term sense?

Mr Bushby—To give you an idea, a basic rule of thumb at the moment is that if someone is looking at an investment property they can expect roughly about five per cent return. That is the reality. So if you are looking at a \$250,000 unit you are going to get about \$250 a week for it, which translates to about five per cent. That is just a very simple guide. If I was advising someone looking at a property, I would say, 'You will probably get five per cent but I recommend you talk to a rental agent, because I do not do that, to clarify that is accurate before you make a final decision.' That is a gross figure—you have all those costs coming out. If you happen to own a few properties, the land tax is going to soak up an immense amount of that rent, depending on what properties you own. I quoted one out at Mowbray. I sold a property for a chap I know pretty well. He got sick of it. The net result of owning this particular unit was that he was losing over half his rent—it was going in land tax. His attitude was: why keep it? That

was a typical affordable housing unit that somebody could rent for a reasonably low rent but it was impractical to keep it. He was going backwards at the rate of knots. By the time he paid his rates and everything else he was almost getting nothing out of the property.

Senator COLBECK—Does the state government process of adding together all the properties you own to get a gross amount, and taxing you on that gross amount rather than the individual property values, have an impact on people's willingness to get into the rental market in Tasmania?

Mr Bushby—When the thresholds were set originally property values were way lower. All of a sudden bracket creep, if you like—and we have had tax bracket creep over the years—has happened with land tax itself, which has grown in value. Those figures originally were very much a rich man's tax, whereas now it is affecting people at the grassroots level who have got a couple of properties and who are all of a sudden paying a lot more land tax for their properties. Obviously the state government loves it because it is good revenue, but it is just making it harder to get a return out of property.

Senator COLBECK—It is also impacting on those mum and dad investors that you talked about that are a significant part of that rental property market.

Mr Bushby—You do not even have to have a couple of properties. They put everything on the line. They are mortgaged and operating on a very fine balance and if interest rates are going up—and when interest rates go up on investment mortgages it is just as hard as for home properties—it is making it harder to hold an investment property or make that equation balance, particularly in tougher times when we are not seeing as much growth in property, and all of a sudden that overall investment strategy is threatened in terms of an outcome. We have to hold it for a lot longer and hope that it is going to get better or you have got to find money to meet the shortfall.

Senator COLBECK—You mentioned the institute's support for modifying the first home owners scheme in two ways. One was to increase it in some way, whether by CPI or some other sort of increment, but also in relation to property price. In respect of the latter—putting a limit on property price—how would you manage that, given the significant differentials in house prices between, say, Tasmania and Sydney or Melbourne, where a \$450,000 or \$500,000 house is probably an entry-level property even in the western suburbs of Sydney—for example, Campbelltown—whereas a \$450,000 property here in Tasmania would be at least at the middle to upper end of the property market? How would you see that being calibrated across on a national basis, which is obviously how the policy would have to be implemented?

Mr Bushby—That is an interesting question that we probably really have not addressed specifically. Today, for someone buying a million dollar property, probably \$7,000, as it stands now, is not that much money and they probably do not need it in the first place. Whether you actually do it on a percentage of the average sale price of the year before or something like that, I do not know. You would have to set up something like that on a regional basis. It is a fairly hard one to quantify. Someone would have to sit down and work out the maths—

Senator COLBECK—We might ask the national body later in the week.

Senator BARNETT—Thank you, Mr Bushby, for your submission today. It is appreciated. I am not sure whether you heard the Launceston City Council when they referred to the embarrassment last week of the state government's tender application for three housing affordability projects here in Launceston which they had to refuse because there was no proper understanding and comprehension of the planning laws as applied to those particular projects. Were you aware of that? Do you have any response to that? Do you see that as a systemic problem happening around Tasmania or is it just a one-off?

Mr Bushby—I am not aware of the problem, first of all, so I really cannot say that it is systemic or otherwise. I will make a comment that we had a briefing with Tasmanian Affordable Housing's project officer around two years ago and I looked at it and felt that they were really going to struggle with their demands to get the public sector heavily involved in it, given the potential returns and so on. I alluded to that in my comments earlier on, but at this stage it would be interesting to see how that project works.

It is a very fine line. You have got very attractive investment returns external to the property market at the moment that are probably a little bit more predictable. Putting money in the bank at the moment is probably quite sensible for anyone who does not want to have the hassle of managing properties and so on. Depending on what the government's returns are, if it is not attractive why would people bother to do it? They were keeping it tight and, while I have not actually seen the results of late as to what it was, I made the comment before that it needs to be at a level that attracts people to do it in the first place. But that then gets reflected in the final cost back to the person renting the property.

Senator BARNETT—Exactly, and that is what the Launceston City Council referred to. Mr Abernethy said that he had been advised of a three per cent rate of return from the government, yet you are paying 8.5 per cent in interest—

Mr Bushby—So why would you bother?

Senator BARNETT—The response was exactly that: 'Why would you bother?' Obviously that is an issue and I know that Senator Colbeck touched on that as well. In terms of the stamp duty and state government imposed costs on property developments—and I know you have commented on this in the past—the Local Government Association submission noted that councils are sometimes criticised for the charges that they apply, but they also noted that there are no limits imposed on them by the state government. The state government imposes conditions on local councils but the state government derives a very significant revenue stream from stamp duty. Do you want to comment or make any observations on stamp duty and land tax being impediments in the provision of affordable housing?

Mr Bushby—I think the example I gave, quite frankly, alludes to it. Again, with growth we have had bracket creep. Mind you, it is proportional, but as property has gone up so has the actual revenue stream from stamp duty. It is the buyer who pays stamp duty, not the vendor. At the end of the day, you pay \$283,000 plus stamp duty of \$8,800-odd that I quoted before. That is a tax. There is no service for the tax. At the end of the day, I know it goes into consolidated revenue and hopefully gets spent for the good of the community in a very appropriate manner. But it affects the capacity of people to buy. It is another cost for people trying to get into a property.

Senator BARNETT—Have you seen the latest figures from the state budget papers in terms of the increased amount of stamp duty revenues?

Mr Bushby—I have not seen the final figures, but I believe they are still pretty buoyant.

Senator BARNETT—There was a reference earlier to the *Mercury* story about housing mortgage stress in different parts of Tasmania. Are you aware of which regions of Tasmania are worst affected in terms of housing affordability?

Mr Bushby—I have not seen the latest figures. We had figures a couple of months ago which could have been updated and which the *Mercury* are probably quoting. I have not seen what you are alluding to. It depends whether you are measuring purchase costs or rent costs. They are two different stories but there are different locations too, at the end of the day.

Senator BARNETT—Launceston is your area of expertise. Do you have a view as to the areas where housing affordability is subject to some stress?

Mr Bushby—Anecdotally, it is the mortgage belt areas which are suffering the most. People in the older, more established areas have probably paid off their mortgages a lot earlier.

Senator BARNETT—Can you identify some of the areas?

Mr Bushby—I have not seen the *Mercury* today.

Senator BARNETT—Mowbray is one.

Mr Bushby—Mowbray is an interesting mix. Mowbray has a large ageing population and it has a lot of investment property because of the university there. It is a real mixed bag as far as ownership goes. I would be surprised if that was one specifically referred to as having mortgage stress. People living there would certainly have stress, but overall I would say that it has one of the highest proportions of rented properties in any suburb in Launceston at the moment because of the university factor.

Senator BARNETT—Thanks very much, Peter.

Senator COLBECK—We talked before about the mum and dad investors being a significant proportion of those investing in rental properties. Do you have any figures on what proportion they might be in the market?

Mr Bushby—Yes. Apparently about 60 per cent of rental properties are owned by people in that category.

Senator COLBECK—Is that at a local level?

Mr Bushby—I believe it is a national figure.

Senator COLBECK—So about 60 per cent of the rental pool is owned by so-called mum and dad investors.

Mr Bushby—Yes.

CHAIR—There are no further questions. Mr Bushby, thank you very much for appearing before the committee this morning and for your submission and the assistance you have been able to give to the committee today. We appreciate it.

Proceedings suspended from 10.30 am to 10.48 am

PHILLIPS, Mr John Brendon, Managing Director, Tassie Home Loans Pty Ltd

CHAIR—Welcome. Thank you for the document that you have just handed to the committee. We appreciate that. I invite you to make an opening statement and then we will go to questions from members of the committee at the conclusion of that.

Mr Phillips—Perhaps my opening statement can be what I have just heard on a CD that I get every month from Business Essentials. Professor Norman, who is an associate professor of economics at the University of Melbourne, stated in this CD that he believes interest rates will start to decrease at the end of this current year and by the beginning of 2009 they should come down to at least two per cent less than what they are at the present time. That could have a fairly dramatic effect on housing affordability—or unaffordability as it is at the present time. A two per cent drop is quite dramatic. What we are also finding is that there is not so much a housing debt crisis but more of a debt crisis across the board. You will notice in those papers that I have given you that I have attached some loan servicing calculators that calculate repayments based on a rate 1½ per cent above the interest rate that a person is actually borrowing at.

What we have found in recent times is that it is not so much getting a housing loan that puts them out of the marketplace; it is the debts they have, with credit card debts, store debts, housing loans, car loans and so on. That is our biggest concern at present—they just do not have the necessary deposit with these other debts. Again, looking at that service calculator, you can see the difference that makes in their viability to borrow sufficient funds to purchase a home in today's environment.

The other problem is an impaired credit history, because things have tightened up right across the board. Banks, nonbanks and so on are looking very closely at previous credit history. Even though someone may have paid a debt they are still unable to pick up a loan in many cases because they have an impaired debt at some stage down the track—tracked through Veda Advantage, for example, which is a credit scoring company Australia wide. So lending conditions have certainly tightened over the last probably six or eight months—certainly since the American situation.

The other thing is that at present we are finding that a number of institutions, particularly non-bank institutions, have dropped out of the marketplace. They cannot borrow money through the securitisation program and if they can it is at a much higher rate of interest so it becomes unattractive and certainly non-competitive for them in today's environment. As I said, quite a number have dropped out. Macquarie Bank, Maxis and Bluestone Mortgages, just to name a few, have all dropped out of that market. We did a lot of business through Maxis, which is Members Equity Bank. They just do not have sufficient funds or are unable to secure funds to lend through Maxis.

Again, with the demise of some of these non-bank and bank institutions, we getting back to a stage where the major four banks are the main supplier of housing finance. To go back to the beginning of the 1990s, John Symond with Aussie Home Loans fought against them and was able to make the housing loan interest rates a lot more competitive around the country. We are getting to the stage where we might have to go back to John Symond beating the drum again,

because they are going to have a stranglehold on the industry. Westpac are already starting to drop the commissions payable to brokers from about 2.5 per cent to 1.5 per cent for trailer commissions and from 0.6 per cent to 0.5 per cent up-front. St George are looking at a model that is a little bit different. But that could permeate the whole banking industry. Do you have any questions, or will I keep going?

CHAIR—Keep going, please.

Mr Phillips—Looking at improving housing affordability in Tasmania, the federal government supply funds to the state under the Commonwealth-State Housing Agreement for rental accommodation for low-income earners. I believe they charge interest on that money and I am just wondering whether the federal government would consider for a period of time not charging interest and/or maybe having a moratorium insofar as repaying that debt. That moratorium could go for, say, 10 years, or until such time as they can pick up the slack in providing suitable accommodation for low-income earners, particularly in the rental market through housing department properties.

Senator MOORE—Could you explain that, so I know exactly what you mean?

Mr Phillips—Currently, under the Commonwealth-State Housing Agreement, state governments are required to repay that debt.

Senator MOORE—Which debt?

Mr Phillips—The Commonwealth-State Housing Agreement debt. Paying interest and repaying debt is a fair impost on Housing Tasmania. I am wondering whether there could be a moratorium on paying that back, rather than immediately paying it back. The repayments of that could be extended for 10 years until they can catch up. There certainly is a demand for rental accommodation for low-income earners in Tasmania. You also have the other problem in Tasmania with housing department properties, which need to have a fair amount of maintenance work done on them. They are a fair way behind in maintaining their existing stock.

Tassie Home Loans are the managers of the Home Ownership Assistance Program, HOAP, in Tasmania. It was initially based on the South Australian Home Start program, with slight improvements. The Home Start program in South Australia is managed by the state government, whereas here we manage it on behalf of the state government. The Tasmanian state government, over the last four financial years, has received on average about \$116 million from stamp duty on residential properties and mortgage transactions. My thoughts are that maybe the state government should be encouraged to plough back a proportion of that income to assist in providing housing for low-income earners. That could be through building more government housing or it could be done through community based housing projects. There is a need for those.

You will find that with community based housing projects the people involved are a lot closer to the needs of people, whereas the bureaucrats are there just doing a job. There was something in the local newspaper a few days ago about a little old lady who had been living in a housing department flat for many years and next door there was a group of ruffians bombing up and down the street, waking everybody up, playing loud music and so forth. There has to be a better

mix when you are looking at accommodating people in some of those residential rental properties run by the government.

Insofar as HOAP is concerned, we have done very little lending on that over the last three or four years, mainly because the product has not been updated to match the current environment. They still have a restriction on the maximum amount that people can borrow. There is also a maximum in relation to their income for them to be eligible to borrow. I suggest that the state government should consider what happened with the South Australian scheme. They have a number of very good products that they are implementing in that state or that have been there for some time. The government here was considering a top-up loan of about \$35,000 on top of HOAP. There were going to be no income limits on that and no maximum loan limit. But I believe that that is in abeyance at the present time. If you give people opportunities to purchase a home of their own, then they certainly look after it and maintain it. We do not have any problems with bad arrears cases with those low-income earners at all.

In relation to Housing Tasmania's principle of allowing people to live in the properties that they rent forever and a day unless they get kicked out because they have damaged the property or it has burnt down—and they burn it down in most cases—I believe that there should be a grandfather clause in there. It should be reviewed every five years, or more often if need be, to make sure that they are still eligible to live in that particular property. You will find that people on quite substantial incomes are still living in housing department homes in Hobart in particular. If they could go through that process, that would assist people who are more in need. If people can afford to go into the public arena to borrow funds for a house or rent, that is what should happen.

I also think that consideration should be given, under the Commonwealth-State Housing Agreement, to trying to provide a better or more appropriate range of housing. A report was done by the upper house in Tasmania into affordability of housing, and there are quite a number of single people who are unable to obtain housing simply because, particularly with government housing, they do not meet the criteria—I think the more kids you have got, the more likely you are to get a home. Maybe there should be some form of community-style accommodation, probably cluster housing to start with, which is a much more efficient use of land and, secondly, motel-hostel style accommodation with shared kitchen and community or dining facilities. To me, there is a need for that and you could probably better utilise money available to accommodate those people in that sort of situation.

Last but not least, I think the management of public rental properties, particularly the collection of rents, could be outsourced to the private sector. In my dealings with the housing department—I probably should not repeat all of it!—they are quite inefficient at times. We have recently taken over three portfolios that they had been managing for many, many years. What we have done in the last six months to make the way the whole thing runs a lot more efficient is incredible. They had been doing it since 1945. They were using an old actuarial loan repayment system which is older than me, but I knew a bit about it anyway. So they really have not got an efficient way of doing business. If it could be outsourced, money generated by the savings could go into the continuing maintenance of some of those rental properties.

I have got some attachments, including the Genworth Financial servicing calculator. That shows that a couple borrowing money on an income of \$60,000 with a credit card debt of \$5,000

could borrow \$236,000. A couple with three children could borrow \$121,000. I have got nothing against that vis-a-vis what happened in America—I think they were giving it to everybody at whatever the rate might have been—but, as I said before, the lending institutions are clamping down to make sure people are able to afford to borrow for a home of their own. That is the end.

CHAIR—Thanks very much and, as I said, thank you for this information that you have provided to the committee today.

Senator FIFIELD—Mr Phillips, in your submission you state that we could be heading back to a situation where the banks have a monopoly on the housing loan market because of the demise of a number of non-bank lenders. It might be time for Aussie John Symond to start beating the drum again. The nature of his business has changed over the years. He started off with Aussie Home Loans actually providing loans from funds which his organisation sought.

Mr Phillips—They were sourced through the Macquarie Bank, by the way.

Senator FIFIELD—He has now shifted his business model to being a mortgage broker. One of the reasons, I guess, for the reduction in the number of non-bank lenders is that some of them have actually changed their business model to being mortgage brokers—they are leading that change themselves. Are you suggesting Aussie John should go back to his original business?

Mr Phillips—No. He was the one that really got the banks offside and made it more competitive for the banks, and the banks then came back. A fair bit of our business—as a mortgage broker as well as a mortgage manager—goes through the banking industry. But ING or GE, for argument's sake, are fairly competitive. Without the competition, the banks, as they have already done, will increase their interest rates higher than the Reserve Bank has done anyway.

Senator FIFIELD—They are indeed naughty! The banks have their own criteria for the percentage of someone's income that they are prepared to see go in loan repayments and 30 per cent is the figure that has been kicked around a fair bit. When the Deputy Governor of the Reserve Bank was giving evidence to us a week or two back, he said that if that formula was redone today something of the order of 47 per cent might be a more appropriate figure. One of the submissions that we received—I think it was to the Tasmanian upper house inquiry—said that, using the 30 per cent figure, something in the order of 12 per cent of Tasmanian households were in mortgage stress. What do you think would be the appropriate measure? Is it 30 per cent; is it 47 per cent? I personally find it difficult to believe that 12 per cent—

Mr Phillips—Look at those attachments that I have given you at the back of my submission. This is a servicing calculator. It is not based so much—and I put this in my submission—on the percentage of your income, but more on Professor Henderson's living allowance—the poverty index. Most banks are using that, rather than 30 per cent, 25 per cent, 40 per cent or whatever the case might be. That percentage used to be around 30 per cent but it is no longer being used. It is more or less similar to the calculator I have got there. They take into consideration, for example, a couple with no children. If you take 30 per cent of their income it is okay, but if you take 30 per cent of the income of a couple with three children and do not take into consideration the cost of educating, bringing up, clothing and feeding the children, then that 30 per cent would probably be up to 60 per cent. So it is based on Henderson's poverty index. Most banks are using that, rather than 20 per cent, 25 per cent or 30 per cent of income.

Senator FIFIELD—So that raw 30 per cent measure is pretty meaningless.

Mr Phillips—It is very much meaningless, yes.

Senator FIFIELD—The Tasmanian upper house inquiry used that 30 per cent measure to determine that 12 per cent of Tasmanian households are stressed—

Mr Phillips—They should have asked me that question, but they did not ask me that question at the time.

Senator FIFIELD—That is right. So that 12 per cent figure asserting that Tasmanian households are experiencing housing stress would be a fairly meaningless figure?

Mr Phillips—I would think so. I do not know how they worked that out.

Senator FIFIELD—I think applying the 30 per cent figure—

Mr Phillips—As you can imagine, a couple can live much more cheaply than a couple with three children.

Senator FIFIELD—Yes, sure.

Mr Phillips—And those things are taken into consideration.

Senator FIFIELD—In terms of your own business, you do not apply your own criteria; you just go with the bank's criteria. If the bank is happy, then you are happy?

Mr Phillips—They approve the loan anyway so we have to comply. They are the ones who make the final decision of yes or no. But we have got all of these calculators on our computers for each of the banks and lending institutions. It is only a matter of us applying those to a particular loan for wherever people are going. The only one we do not do it for is the government Home Ownership Assistance Program, HOAP. They have set out, I think, 35 per cent of people's income, again not taking those other things into consideration.

Senator MOORE—I only have two questions; one is in relation to the media comments this morning about what they claim to be a higher repossession rate happening in Tasmania at the moment. Does your institution have any comment on that?

Mr Phillips—We have not experienced repossessions at all. When we deal with the banks and other lending institutions, if people do not make their repayments or are in arrears with their repayments, we do not get paid. We have trial commissions, and we have not found anything out of the ordinary at the moment. We certainly have not had a glut in the last two or three months of not getting commissions from people who have not paid.

Again, I suppose it gets back to the institution. What we have found with some of the banks—and I am not bank bashing—is that we have had a number of instances where we have put an application up to a particular bank and it has been knocked back, and yet their own staff can get that same loan through for the same people on the same conditions that they knocked ours back

on. The banks have probably got a little bit more leeway with what they can do as against than what we can do because we are totally controlled by the banks. But we have not, as an organisation, experienced it, particularly with the government housing program where we are dealing with low-income earners—we have not found a problem.

Senator MOORE—It is always very difficult when you are relying on something you read in the media; you only get a certain amount of the story. The situation, as described in some cases this morning, indicated that people were making a strong effort to repay and in fact were catching up but they were still unsure, through the legal process, whether that was going to be enough to retain them in possession. I am wondering about your experience of that process.

Mr Phillips—For anyone who gets into arrears with us, we have a person dedicated to our arrears, apart from the stuff we broker out—we manage some inside. If a person does get into arrears—and they do from time to time; they all go through little problems—we would manage them. In most cases we can manage them out of it.

We had a fair number of mortgagee sales back in the 1990s—probably 1995 to about 2000 or 2001—with a government housing program where with some properties there was no increased value at all; in most cases they went downwards rather than going up. Most of the causes of the mortgagee sales we had then were breakdowns in relationships—I think 80 to 85 per cent of them were breakdowns in relationships. Others were for other debts that they could not afford to pay—it all fell over. I think it gets back to managing those people out of it and, for most people, if you can take the time you can often manage them out of it. We would do that all the time. But the banks are probably less personal.

Senator MOORE—The other question—I will ask you for an opinion—is about the 30 per cent rate, which is talked about generally now. When you are spending beyond that 30 per cent, you are in housing stress, which is common parlance. When we were talking with the Reserve Bank a couple of weeks ago, their representatives felt that that rate was perhaps not as concrete as other people talk about it in the media. The *Hansard* reflects a discussion where the person from the Reserve Bank felt that it varied very much and you could not rely on just saying that someone was 30 per cent or more; it was much more personal in terms of individual circumstances.

CHAIR—Senator Moore, while you were out of the room, Senator Fifield did pursue that issue.

Senator MOORE—That was good of him! I will read *Hansard* later and see your answer.

Mr Phillips—But you are quite right; it is no longer a hard and fast rule. If you look at those attachments, it will explain things to you.

Senator BARNETT—I perused your submission, Mr Phillips, and I thank you very much for it. I think you have made some very good points and I do not have any further questions.

Senator COLBECK—Can you explain to us the fundamentals of the HOAP scheme and how that works? You mentioned that the core criteria for it had not changed, so therefore the use of it

had dropped off over the last few years. Is that because of the increase in property prices and putting those properties outside the criteria of the scheme?

Mr Phillips—Yes. In most cases it has been an increase in properties over the last three or four years that has done that. We were lending on housing department properties back in 2002 to 2004, where the properties were selling at about \$50,000. Those same properties are now selling for about \$130,000 to \$150,000. So there has been a big increase in the price of those properties—even government housing. That would be the case generally across the board.

The government has not kept up with the HOAP scheme. There is a limit on earnings whereby, I think, to be eligible you must earn no more than \$900 a week. The maximum loan is about \$130,000. It is totally out of whack. They are looking at it at the present time. They are also looking at a shared equity scheme, but at the moment I am not too sure what is going to come out of that.

Senator COLBECK—So the HOAP scheme effectively deals with department properties?

Mr Phillips—Not necessarily—

Senator COLBECK—So they can be general market properties?

Mr Phillips—They can be across the board. But, again, because of the increase in properties, the restrictions on the amount they can borrow and the income required to be eligible to borrow, it is out of whack.

Senator COLBECK—Was there any proportion of former housing commission properties released to the general market that made up the overall cohort? Was there a large proportion of former housing commission properties as the government sold—

Mr Phillips—We have not lent on a housing department home for this current financial year and we have only done about six loans to the private sector. Over the last three or four years the majority of loans that we have done—and, again, there have not been very many—have been in outlying and rural areas, because houses are less expensive in those areas.

Senator COLBECK—Is the reduction in the sale of former housing commission properties because there have been fewer of those to sell on behalf of the government?

Mr Phillips—There probably have been, yes. In this current year I think that there are fewer properties for sale. They are looking to sell more of their three-bedroom properties that come on the market from time to time, but the problem is they have got a bad mix. They have got a lot of three-bedroom homes which people do not require these days. They are looking more to one- or two-bedroom properties.

Senator COLBECK—You talked about the management of the housing stock and the loan stock that you are running on behalf of the government. Are they loan books or rental books that you are managing?

Mr Phillips—No, not loan books; they belong to people. I am talking about the rental stocks—

Senator COLBECK—You are actually managing their rental books as well at this point in time? That is the element of the market that you talked about that you had taken over and were finding a lot of efficiencies—

Mr Phillips—Yes. I think that the management of the rental stock could in most cases be run by private enterprise.

Senator COLBECK—We have heard through the inquiry a lot of evidence about housing cooperatives—and I am not sure whether they are necessarily housing cooperatives in the traditional cooperative sense but rather community and church based groups—taking over state government housing stock and managing that stock in respect of rentals and maintenance, and in fact in some circumstances taking over ownership. Do you see that there is scope for an increased capacity for the community or the private sector to move into that market?

Mr Phillips—Yes, I do. The Salvation Army already manage a number of those housing department homes. I think that they have taken a block of them. I am not too sure whether they have purchased them or not from the housing department but they certainly manage them as far as putting people in them and so on. I mentioned earlier the bureaucracy of the housing department. I think that it could go back to the community to manage houses on behalf of whomever, whether private enterprise, government or whatever the case might be. You would probably find a far better and more efficient way of accommodating people in that lower income bracket.

Senator COLBECK—You mentioned in your evidence that you believe there should be some grandfathering of the rentals and an increased scrutiny of the increased capacity of people who are allowed into community based housing or housing commission type housing. We have heard a lot of evidence in other states about the narrowing of that cohort where, going back 15 or 20 years, a much broader range of people had public housing available to them. In New South Wales the evidence was quite overwhelming that the narrowing of that focus and the tenants who were in the community or public housing meant that it was now basically down to a welfare type of person and the reduction in rentals that they were able to charge was actually impacting on the capacity or the sustainability of that overall stock.

You obviously have a thought on this and it is similar to where, I suppose, the policy is heading on this—that a narrow range of people should have them available to them. But, in an overall management sense, surely having a broader cohort in your housing provides for capacity to assist those at the lower end by having a group of people at the top end who can actually afford a higher rental. Is your perspective based on what is actually available in the market rather than what the overall policy should be?

Mr Phillips—Certainly their policy is that once you are in the house you can stay there forever. There is no checking on them to make sure that they are within the current guidelines for rental of housing of public rental stock. I do not have any evidence one way or the other. Narrowing may still be the case. But if there are checks and balances in place and the people do

fall outside and are not eligible because of their income and financial position, there should be some review of those things at regular intervals.

Senator COLBECK—To essentially assist with the turnover and the availability of stock.

Mr Phillips—Yes. They are complaining because they do not have enough stock. Here is one way of looking at it a bit more closely.

CHAIR—When we spoke with other lenders, mortgage brokers and so on, we asked about the financial literacy and what steps they take to ensure that those who engage with them have the capacity to understand what they are committing to and the sorts of things that they are going to be signing up to. Do you provide financial literacy education to your potential customers?

Mr Phillips—We do. I should have brought you a copy of a brochure we have. I could give one to Senator Colbeck. It goes through the whole process of borrowing money. Our loan consultants would spend at least an hour at the initial interview explaining things to them fairly carefully. Again, with HOAP that is fairly well explained in a document prepared by the housing department. What they are getting into is fairly well explained. In this state we do not have a large number of people from other countries, so in most cases we do not have a language problem. I do not know of any problems we have experienced with people coming back and saying, ‘You never told us about that.’ The Mortgage and Finance Association of Australia have a code of practice. We also have COSL, which is a dispute resolution organisation. Nobody in Tasmania at this stage has been dobbed in to them because they were outside the MFAA code of practice.

CHAIR—Senator Moore asked you about repossessions and the figures on that. What about arrears rates? Have you noticed any significant change there?

Mr Phillips—Again, from the point of view of our in-house and brokered stuff, we have not found an increase at all because, as I said, we do not get paid trailer commissions on loans that go into arrears. We have not found any problems at all.

CHAIR—That is very interesting.

Mr Phillips—Tasmanians borrow less than those on the mainland with a similar sort of income. House prices are lower here than in Melbourne or Sydney. Our average loan is about \$136,000 across the board.

CHAIR—In earlier evidence, we were told that income rates in Tasmania were not keeping up with increases in the mainland level, so, even though the borrowings may be lower, increases in income do not match the mainland increases in income.

Mr Phillips—You are probably right. I have never compared it to the mainland.

CHAIR—Of course not. It is interesting for us to be here today when one of the local newspapers has decided to do quite a big story on housing affordability issues in both Hobart and Launceston. That is why local issues are important to us.

Mr Phillips—I would not think our income was that much less than the mainland. If it is lower, there is the cost of transport on the mainland—going backwards and forwards to work alone. I can go home for lunch, for argument's sake. Most people in Tasmania could go home lunch, if they wanted to. That is how it is. Whereas on the mainland, it takes six hours to get to work and six hours to get home again with no time for lunch anyway!

CHAIR—I do not want to even think about how that would be possible in New South Wales.

Senator MOORE—Mr Phillips, does your organisation offer any of the home equity products for older people who—

Mr Phillips—Reverse mortgages? Yes, we do.

Senator MOORE—What is the success rate of those?

Mr Phillips—We have not done that many of them. We are an accredited lender for that and our staff went through a whole training program to make them accredited. People have to get advice from their solicitor and so on. We are pretty pedantic in relation to that, and we have had no problems with it. It is a good product if it is used properly. The poor kids might miss out, but so they should!

CHAIR—As there are no further questions, Mr Phillips, we thank you very much again for providing the information you have given to the committee this morning and for your time today.

Mr Phillips—Thank you.

[11.27 am]

HABIBIS, Dr Daphne, Senior Lecturer, Housing and Community Research Unit, University of Tasmania

CHAIR—Welcome. Do you have any comment to make on the capacity in which you appear?

Dr Habibis—I am a senior lecturer at the School of Sociology and Social Work at the University of Tasmania.

CHAIR—Thank you. We have a submission from your director. I invite you to make an opening statement and we will go to questions after that.

Dr Habibis—The main point we wish to make is the centrality of housing to welfare overall within Australia. It has always been the bedrock of society in that sense. The crisis of housing affordability really undermines that source of stability and wellbeing within the nation. We would have preferred it if the scope of the inquiry had been widened to include housing affordability in terms of not only homeownership but also rental issues and the social housing sector, because the two are intimately connected. When people cannot afford to buy their own homes then they fall into the rental sector and with that comes much greater vulnerability across the whole of one's lifespan but particularly in the later years.

For many Australians, the great Australian dream has become the great Australian nightmare as the absence of affordable rental property has made finding appropriate and secure housing increasingly problematic. We have seen that with the rise in homelessness that has occurred in Tasmania and elsewhere. Many children are affected by this, and this has an intergenerational effect.

As far as the rate of release of land is concerned, in the submission prepared by Professor Atkinson the main point that he wanted to make was the need to ensure that any release of land is appropriately planned and that it does not automatically mean land release on the edges of the city. There should be creative ways of considering release of land in the inner city through, for example, land reclamation, because of the problems that can be caused by inadequately planned urban development in the suburbs.

For the existing subsidies the position of HACRU is that some consideration should be given to eliminating the universal payment of the first home buyers grant because of its contribution to putting greater pressure on housing prices and because some of the money that has been spent on it would have been more effectively spent on greater investment in social housing. That would have had an overall effect of bringing down housing prices and therefore would have been better spent.

That leads more broadly into the role of governments in facilitating homeownership. Over the last decades we have seen public housing funding gradually declining, and that has led to the residualisation of public housing, an increasing cause of social division in our urban landscapes. As housing becomes more residualised, you begin to get the early signs of ghettoisation. A

greater investment in public and community housing would contribute to the destigmatisation of that form of housing and create much more inclusive communities.

Regarding the contribution to retirement incomes, I think there is a very important intergenerational effect that needs to be brought out in relation to the current crisis in housing affordability. With the growing trend of parents having to mortgage their homes in order to assist their offspring, there are detrimental effects on their ability to fund their retirement in later years. That can become a double whammy for their offspring if the inheritance they would have received in the past largely from their parental home is no longer passed on. That further widens social division within the community, as only the wealthier sections of society are able to pass on significant wealth to their children.

Our argument is that the housing affordability crisis has very significant inequality effects and contributes to growing social division within the nation, and that governments have a very big role in contributing to making housing more affordable. We would argue that should largely be through contributing more to social housing.

CHAIR—Thank you very much. The comments that you and Professor Atkinson make about our terms of reference are reflective of the capacity we have to do various amounts of work at a time. The evidence the committee has been taking since February of this year, since the inquiry was adopted, has given us significant insights into the sorts of issues that both you and Professor Atkinson have referred to, so I do not think that we are at any risk of not learning about those things.

Dr Habibis—It adds to the weight of that.

CHAIR—I understand some of the research being done by HACRU also relates to evidence we have received about public housing and the profile of public housing tenants—particularly the change over the last 15 years. I think the first time we received evidence on that was at our hearing in Sydney. We had very compelling evidence about the change in profile from the traditional low-income family who were in public housing with a view to purchase down the road, even if it was some distance, to extremely marginalised members of the community. They are, in the main, deinstitutionalised individuals or heads of families and—in New South Wales this was given to us in particular—very, very marginalised elderly who have no capacity to afford alternative housing and then a cohort of young people who also seem to fall into that category. Is that the sort of reflection that you see?

Dr Habibis—And there is a high level of mental illness, not always diagnosed. So we are talking about the most vulnerable groups in society. As you would know, the pressure on public housing is enormous. Only category 1 people are getting housed, so the people that are housed have very high-level needs. In order to maintain stability, to maintain housing tenure, they often need levels of support. At the very minimum they need some sort of housing security to prevent homelessness. The best option for them is public or community housing, where the systems are available to enable them to have stable, secure and affordable accommodation.

These people right now are completely excluded from the private market. The squeeze on rental properties is so great partly because people are investing in buying homes but they are investing at the top end and not making rental homes available at a level that many ordinary

people can afford, and those who are disadvantaged certainly cannot afford. You cannot look at homeownership without also looking at the nexus between homeownership and the rental market. The two have to be looked at together.

CHAIR—The submission from HACRU refers to high repossession rates—growing strongly now but from a very low base line. Interestingly, the evidence that we have received from a number of the financial institutions, and even from Tassie Home Loans this morning in response to a question from Senator Moore, is that that is not reflected in their business experience. So whilst the newspapers are most certainly speaking at very significant newspaper volume about this, we are not getting the same evidence back. That is interesting for us.

Dr Habibis—We could send you any material that we have which does provide that evidence. I will undertake to do that.

CHAIR—Thank you very much. If you take that on notice I would be grateful.

Senator COLBECK—I would like to follow on from that. I note there is a news story in the media today about four to five cases every week for the last six weeks in the courts, and that might very well be the case. But, if you do have that information available, something over a longer term might be of much more use to the committee rather than what is probably true evidence in the media today that there may well have been four or five repossessions a week over the last six weeks. If that is the long-term average then it does not really demonstrate an increase. To get a sense of what the trends might be, longer term information would be of value, so that we can match it up with some of the longer term evidence we are getting from the banking sector and the mortgage originators. Everyone is denying—we have the banks saying that they have most of the loans but hardly any repossession; we have the building societies or people like Bendigo Bank saying that they do not have many; and Tassie Home Loans are saying that they have a process where they work with their people to manage them through, and they do not have a high rate. We are really starting to wonder where all these figures are coming from. So any information you have would be very helpful.

Coming back to that management issue, Bendigo Bank made a big deal of their process, and Mr Phillips from Tassie Home Loans talked about the process that they had, particularly with those people that were on their HOAP scheme. Do you find, as he was indicating, a differential in the way that people are managing or being managed, and that has a difference in their success rate in staying in their homes?

Dr Habibis—I do not have any evidence or knowledge of that. I could only make an educated guess.

Senator COLBECK—In your submission you talk about the increased use of inner-city brownfields-type sites rather than the greenfields edge-of-suburbia-type expansion programs. We have heard in our evidence that in respect of affordability and affordable housing, it is much more expensive to redevelop those brownfield sites for a range of reasons—redevelopment of buried infrastructure or things you might find on some of those sites. How do you see that that process could be made more affordable? Have you done any work on what policies might be put in place to assist the affordability of those sites?

Dr Habibis—I have not. Professor Atkinson perhaps has but I am not aware of what work he has done in that area. What can be pointed out is the ongoing costs to the economy as a whole associated with locating people at a distance from their employment, and the difficulties they then have in accessing work, and then the costs of that to the transport system and also to greenhouse gas emissions. So if you are looking at costs they need to be looked at more broadly than the cost to the individual developer. That might again be where governments have a role, perhaps through partnerships with developers in recognition of the longer term benefit to the nation. As far as imaginative ways as to how those development costs could be reduced, I am not in a position to comment.

Senator COLBECK—There is no question that the cost of transport and other things is a significant factor in housing affordability, not just the cost of the house or the rental. Obviously, that is something we could look at. You mention also the inevitable chestnut of various state housing debts to the Commonwealth. Do you have any thoughts on how that might be dealt with? Some states have paid off their housing debt. Tasmania, I think, have something like a \$200 million debt to the Commonwealth, on which they pay a significant chunk of interest on an annual basis. Do you have any thoughts on how that might be dealt with, or can you expand on what you have in your submission?

Dr Habibis—I think I could only say what is in the actual submission. It is not an area I have been working in so I do not have anything immediately to say.

Senator MOORE—We have had evidence from a number of very impressive community housing people, in a number of states. I have not been to all of the states, so I hope this came up in other places as well. It seems that there is quite a strong community housing industry across many states. Have you worked with those groups, and do you have any suggestions as to how we could encourage that to continue?

Dr Habibis—There is an enormous amount of good work being done that does a great deal to prevent homelessness and to help people who lack housing skills. My main research has been in the area of housing sustainability from the point of view of individuals able to manage their tenure commitments in the rental sector. A great deal can be done to not only enable people to stay in their own homes and prevent homelessness but also get them to a stage where they might have enough stability to hold down a job and perhaps even buy their own home. If we can look at the housing system as a sort of step-up system from crisis accommodation to the rental sector to homeownership, I think they are absolutely essential to pick up people who have fallen through the net so they can begin to make the steps to towards getting back into the mainstream.

Senator MOORE—Is the community housing sector strong in Tasmania?

Dr Habibis—Yes, I think it is very strong. We have some excellent services like Anglicare. I think they are doing some fantastic work.

Senator MOORE—They are coming in this afternoon. In Dr Atkinson's paper he says:

Our group is to spearhead a national initiative on the re-branding and destigmatisation of public housing ...

Can you tell me anything about that process?

Dr Habibis—That is very much about getting a much greater social mix in housing—mixing up different types of housing and different priced housing to ensure that people are not isolated in enclaves and that there is some association between different groups so that the process of ‘othering’ that can take place is reduced within our communities—if you understand what I mean.

Senator MOORE—Is that specifically Tasmanian based?

Dr Habibis—I think that is across the board. I think it would apply to our big cities in particular but also in Tasmania.

Senator MOORE—The other question I have been asking academics who have come before us in different states is this: has there been an increase in interest in your area as a result of the discussions that have been going on about the importance of housing? It is in terms of people choosing to study what you are doing and doing research topics. Has that increased?

Dr Habibis—I think so. I think there is greater understanding of the spatial dimensions of social life and that urban sociology from that perspective is a very important area and can make a big contribution both theoretically and in a practical sense.

Senator MOORE—I think the only place where they said no was WA. WA said it had not. Everybody else said it had. Thank you, Dr Habibis.

Senator BARNETT—I refer to the media, in particular today’s *Mercury*, and some of those views that have been put forward. I know Senator Colbeck touched on those. Do you have a response to the view that every week in Tasmania four or five people are losing their homes through the courts?

Dr Habibis—Not in any academic sense; only in the sense that we know homelessness is on the rise and that there is an enormous bottleneck in terms of housing and housing arrangements.

Senator BARNETT—So would those figures seem unusual, or inconsistent or is it the case that you cannot really verify one way or the other whether they are accurate? They are obviously based on research and they are a result of mortgage stress. That was at least the view that was put in today’s *Mercury*.

Dr Habibis—I would have thought that question would be well put to some of the NGOs because they would probably be seeing the effects of that in terms of increased clients coming for financial assistance or as a result of some sort of housing crisis. As an academic I really have not had any exposure to it.

Senator BARNETT—One of the other angles that was put is the concern that is raised by people in nursing homes. St Ann’s rest home in Hobart, of which I am a former board member, is one where there is this person who has a disability and simply cannot afford a home but is able to stay and live at St Ann’s. Is that surprising to you or is that not inconsistent with some of the evidence and research that you have done?

Dr Habibis—That is very consistent with it.

Senator BARNETT—Do you have a particular interest in mental illness concerns?

Dr Habibis—Yes, absolutely.

Senator BARNETT—Would you want to elaborate on those concerns as they affect affordable housing and access to it?

Dr Habibis—I think the critical thing is to do with providing these groups with the support they need so that there is an integrated system of housing accommodation and support to enable people to stay in their homes, because otherwise they become vulnerable to losing their home. For example, if they go into hospital nobody may know, they may not pay their rent and they may come out to find there is no home. That has certainly been documented as occurring. It is about something as simple as that—to have systems that notify.

Senator BARNETT—That is very disturbing evidence to hear. Have you got any sort of evidence to back that up? Is that anecdotal evidence? Is that research?

Dr Habibis—It is research where that has been found in interviews. I am not quite sure of the exact nature of that research, but it is definitely accepted as occurring. That would be just one example. Obviously, they are a particularly vulnerable group. We know that we have a sort of cycle of homelessness whereby the connection between homelessness and mental illness operates in both directions so we exacerbate problems rather than resolve them insofar as we do not provide adequate support.

Senator BARNETT—Would you be able to let us know any further information you can obtain on that matter?

Dr Habibis—Sure.

Senator BARNETT—On notice would that be possible?

Dr Habibis—Yes, of course.

Senator BARNETT—That would be of interest. The Legislative Council Select Committee on Housing Affordability in Tasmania, which I am sure you are very familiar with, recommended that as a goal no person be homeless by 2010. Do you think that is a laudable and achievable goal?

Dr Habibis—It is obviously laudable. I think it is a big ask. By 2010?

Senator BARNETT—Yes. That is what they said.

Dr Habibis—I think it is something that should be strived for. It will require significant public investment. It should be undertaken in recognition of the public investment that it would require, but it would have enormous public benefits.

Senator BARNETT—Do you have a view as to the level of housing stock generally over the last 10 years and whether it has gone up or down?

Dr Habibis—I understand that it has declined, that part of that decline may be that governments are no longer building public housing, and that governments can make a major contribution by either directly building more public housing or going into partnership with industry and building affordable housing for low to moderate income earners.

Senator BARNETT—You mentioned that your research unit is based at the University of Tasmania. Whereabouts is it?

Dr Habibis—My research has been in relation to evictions in Tasmania—that is my research in Tasmania—and also in relation to housing sustainability for people with complex needs. The research has really been about the need for support for people who are vulnerable and about the nexus between eviction and homelessness.

Senator BARNETT—So that is a statewide analysis that you have undertaken?

Dr Habibis—They were both national studies. With one I did the Tasmanian part and with the other one I did the national part in a number of states.

Senator BARNETT—Are you based in Hobart or Launceston?

Dr Habibis—I am based in Launceston.

Senator BARNETT—Thanks for that, Dr Habibis.

CHAIR—I have a question that I want to ask you. We have heard from a number of representatives of AHURI across Australia. How does HACRU fit within AHURI?

Dr Habibis—HACRU is part of the southern research centre with Flinders. It is part of the AHURI syndicate.

CHAIR—We found the evidence that you and your colleagues have been able to provide us with very useful in our inquiry process. We started off with AHURI in Sydney and have been consistent in taking the opportunity to meet with other representatives. We are very grateful for that.

Dr Habibis—Thank you, Chair.

Senator FIFIELD—How do you define homelessness?

Dr Habibis—The definition is usually a very broad one. The classic one, which I am sure you are familiar with, is the one by Chris Chamberlain which identifies primary, secondary and tertiary homelessness. There are even broader ones which take in, for example, Indigenous concepts of home, which would include the sense of having a spiritual home. So it is all to do with the idea that home is more than shelter and it is to do with having the classic terms of being safe, affordable and stable. That may be by a number of different arrangements, ones that ensure people can afford it within their incomes. So, for example, living in a boarding house is generally regarded as a form of homelessness because it is not stable, necessarily safe nor necessarily affordable. I would define it very broadly along the lines defined by Chris

Chamberlain. I do not need to repeat those, presumably, because you would be familiar with them. I think any other definition is really problematic because it fails to recognise the reality of unstable living conditions, the significance and centrality of having an appropriate home for long-term wellbeing and the intergenerational effects that has on future generations.

Senator FIFIELD—You mentioned affordability. Is that one of the factors? So you have stability, affordability—

Dr Habibis—Yes, and being safe. You may be in a home but if it is not a home where you are safe—for example, in situations of domestic violence—then it is obviously an inappropriate living arrangement.

Senator FIFIELD—If it were safe and relatively stable but affordability were an issue—

Dr Habibis—Then it is not secure, because you may end up being evicted or you may end up not being able to pay and it may end up being repossessed. If it is impacting on other areas of your life in terms of your ability to care for yourself, that is obviously problematic in a nation that has the level of wealth that we have.

Senator FIFIELD—So ‘homelessness’ can include people who have a roof over their heads? It might be their own home and it might be safe but, because of the likelihood of going into arrears on their mortgage, they might be counted as homeless?

Dr Habibis—The way I understand that definition is that to some degree it is a philosophical position. You might say it is a practical definition in the sense that it is usable. But, from an empirical point of view, you would apply some measure that would be acceptable to the community as to what ‘affordable housing’ actually means. That is usually done in terms of the bottom 40 per cent of the population, and it means ‘no more than one-third of their income’. There is beginning to be work undertaken—for example, by Peter Saunders of the Social Policy Research Centre—around what level of income and expenditure is acceptable to the community. We are beginning to benchmark that. On one hand the definition provides a concept that can operate empirically, but on the other hand it makes a philosophical statement about the importance of what most people take for granted in terms of housing stability and affordability—which is ‘to be able to live a good life’.

Senator FIFIELD—Under the previous federal government, the minister responsible for the Commonwealth-State Housing Agreement was very much pushing the idea that, as the state governments had pretty much failed on delivering sufficient public housing of an adequate quality, they should be bypassed in terms of the future provision of public housing and funding should be directed to housing cooperatives as a means of providing more and better quality housing. What do you think about that idea?

Dr Habibis—I do not think that inadequately funded state governments can be blamed for failing to provide public housing. If the resourcing is not there, how can they provide it?

Senator FIFIELD—So you think the state governments actually do a fantastic job of providing public housing with the dollars that are provided to them?

Dr Habibis—They do an effective job given the limitations of their budgets.

Senator FIFIELD—So in no way, shape or form are the problems of public housing the fault of state governments and their administration? It is entirely a function of the quantum of dollars provided to them by the Commonwealth?

Dr Habibis—Nothing can be as black and white as that.

Senator FIFIELD—It sounded as though that is what you were saying.

Dr Habibis—No. I would not like to be as black and white as that.

Senator FIFIELD—How black and white would you like to be?

Dr Habibis—Obviously the picture is far more complex than that. Sorry, but I do not have sufficient knowledge of that particular area to provide an expert comment. It is better for me to say that than to make a statement when I really do not have the knowledge base. But I do feel confident that the money provided by the federal government over the last decade has not been adequate.

Senator FIFIELD—How much would be adequate?

Dr Habibis—I do not have the expertise to answer that.

Senator FIFIELD—If you are saying that it has not been adequate, it stands to reason that you would have a figure as to what would be adequate—other than simply saying ‘more’.

Dr Habibis—The reality is that the funding has been declining over the years, so how can they be expected to maintain the same level of provision?

Senator FIFIELD—Can you tell us how it has been declining?

Dr Habibis—I do not have the information in my head. I do have it documented here, and I was trying to find the figures earlier on, but I do not want to keep the committee waiting for those figures. Those figures are in the public domain and they are readily accessible.

Senator FIFIELD—If you could provide the committee with your version of the figures, on notice, that would be helpful.

Senator MOORE—I think Shelter Tasmania provided that assessment on page 45 of their submission. It is the community organisation that I am sure Dr Habibis has worked with. That is in your submission pack.

Senator FIFIELD—Thank you. As we have gone around Australia, we have found very few people who actually have something positive to say about state public housing and how the states have managed their public housing stock. I think the state governments will be appreciative of your confidence in their management.

Senator BARNETT—Dr Habibis, I wonder whether you are aware of the GST windfall gains that have been flowing through to the Tasmanian government over the past several years?

Dr Habibis—I am not. I would say that the person who would have had the expertise within HACRU would have been Rowland Atkinson or Professor Jacobs. I do not have the depth of knowledge in these areas to answer some of these questions.

Senator BARNETT—I would just draw that to your attention in terms of your analysis of the funds available to the Tasmanian government for whatever priorities they deem appropriate. Certainly in the last 12 months, the GST windfall gain has been in the order of \$117 million, which is over and above what they would have received under the old tax system. Of course that figure has been increasing markedly each year over the last many years and the prognosis is that there will continue to be a very substantial windfall gain each year that the government can use for whatever purpose they deem appropriate.

Dr Habibis—I am aware of that.

CHAIR—Dr Habibis, thank you very much for attending today. I think there were a couple of issues on which you said you could provide us with further information. We would be grateful for that.

Dr Habibis—The issues I have are the evidence for repossession and Senator Barnett asked about housing support for the mentally ill and what work I have in the Tasmanian context.

CHAIR—Thank you. We would appreciate receiving that information. There are no further questions. Thank you very much for your time and thank you for HACRU's submission. Could you pass on our thanks to Professor Atkinson.

Dr Habibis—I will. Thank you very much.

CHAIR—The committee will suspend for its luncheon meeting with members of the Tasmanian Legislative Council inquiry into housing affordability.

Proceedings suspended from 12.02 pm to 1.28 pm

FLANAGAN, Ms Kathleen Mary, Research and Policy Officer, Social Action and Research Centre, Anglicare Tasmania

CHAIR—Thank you for attending today. We have a copy of the *Housing: building a better Tasmania* document, which I think Anglicare is a partner in.

Ms Flanagan—Yes, that was developed by Anglicare, TasCOSS and Shelter Tasmania—TasCOSS being our council of social service—in the lead-up to an advocacy day that we held at Parliament House in October last year. The Tasmanian community sector has signed on to that document, and it represents the community sector's policy position on housing.

CHAIR—I will ask you to now make an opening statement and we will go to questions after that.

Ms Flanagan—Thank you for the opportunity to speak today. We did not provide a written submission to the inquiry, partly because the terms of reference focused on homeownership, which is not an area that we have done a great deal of work on. But we have been advised that you are taking evidence on broader housing issues and we are certainly happy to provide information on that basis and to answer any questions.

Anglicare Tasmania, for those of you who are not Tasmanian, is the largest community service organisation in Tasmania. We provide 50 separate services to the Tasmanian community across the state in the areas of accommodation support, counselling and family support, alcohol and other drugs, employment, mental health and disability and aged care. Obviously the services of most relevance to this inquiry are our accommodation support services. Many of those are at the crisis housing end of the spectrum. Our largest is Access, which provides crisis accommodation and ongoing support for people who are homeless or at risk of homelessness.

We also coordinate an after-hours crisis line for people in need of emergency housing, and we run a crisis shelter for young men in Hobart and another service which places young people in need of a safe place to stay in the homes of trained volunteers. In the northern half of the state we deliver the Private Rental Assistance Program, which provides bonds, rent in advance, rent in arrears and the cost of removals to low-income earners trying to access the private rental market, and we also provide long-term accommodation in supported residential facilities for low-income earners in Burnie and here in Launceston.

So we are very well placed to see on a daily basis the range of impacts that the crisis in housing affordability is having on some of the most disadvantaged and vulnerable people in the community. Our workers are dealing with the issues, which I am sure you have heard a great deal about as you have travelled around the country, day in, day out and their biggest frustration is the lack of options for people who cannot find housing. They may be able to squeeze someone into a crisis shelter or broker some emergency accommodation in a caravan park, but there are no long-term options to move those people on to. That is the main frustration for our workers.

In addition to our service delivery, Anglicare has a Social Action and Research Centre, SARC, and that is where I work. For a while now the centre has prioritised housing because a range of

community sector organisations have identified it as the No. 1 social issue affecting their clients. That is right across the spectrum; it is not just housing services that are seeing the impacts of the housing crisis.

We recently made a submission to the legislative council inquiry into housing affordability. I understand that you had some members of that committee as witnesses, and I am happy to table a copy of that submission if that is helpful. There is also our document, *Housing: building a better Tasmania*. I have also got some other stuff here that I can table if that will help as well.

Before I start to talk about the issues, there is a lot of fluidity within the sector and within government at the moment about terminology, so I just want to clarify some terms so that we are on the same page. When I talk about public housing I mean housing that is funded and provided by government directly through the state housing authorities. Community housing is housing funded in some way by government but provided through non-government organisations. Both of those forms of housing are leased at rates that are linked to tenant incomes—25 per cent or 30 per cent of income. Community and public housing are collectively known as social housing. I am sorry if this is familiar ground for you. We are now seeing the development of a new product which the British are calling ‘intermediate housing’ but we are somewhat confusingly calling it ‘affordable housing’. That is housing that is sold or leased at costs above that of social housing but below those of the open market. So the properties that will be developed through the National Rental Affordability Scheme, for example, which we have abbreviated to NRAS—I am not sure if that is what you are calling it—will be affordable housing because they will be leased at 80 per cent of market rates. The reason that I am emphasising the difference between social and affordable housing is that 80 per cent of market rent, market rents being what they are, is not necessarily actually affordable for a household that is dependent on Centrelink benefits, whereas social housing, which is linked to income, is affordable—affordable as an adjective, not as a name.

The terms of reference for this inquiry are related to homeownership. The main point we would like to make in relation to that is that while homeownership is an aspiration for many of our clients it is also out of reach for many of them, and it may not even be the most appropriate option for some people. We worry that in focusing attention on the homeownership end of the housing spectrum the most disadvantaged people will fall through the gaps. As the housing system is really integrated and connected, focusing on one part in isolation is possibly then going to have consequences for other parts of the housing system. It really needs to be considered as a whole. We do note that the missing link so far in the suite of policies that the new federal government has announced in relation to housing is action relating to our social housing system and in particular our public housing system. We are hoping that the development of the national affordable housing agreement will contain some kind of commitment to public housing.

There is a significant body of evidence telling us that public housing is the best response for low-income earners. It provides people with genuinely affordable rents and in most states it provides them with security of tenure. Some states have introduced fixed term leases for their public housing, and Anglicare opposes that. It undermines the very purpose of public housing, which is to provide people with stability and security into the long term, and it exposes people to the risk that they will return to crisis and cycle back through the system. So you just get churned through the system. I think that those policies have been introduced because state housing

authorities are desperately trying to ration a very scarce resource and reduce their waiting lists, not necessarily because those policies are in the best interests of clients.

The other benefit public housing provides to tenants is that the courts have consistently held that state housing authorities have a higher duty of care to their tenants than do private landlords. That is important because public housing tenants are increasingly among the most vulnerable in our community and they need the extra protection provided by that duty of care. However, it is also true that our public housing authorities are struggling. This is the direct result of two policies supported by both state and federal governments. The first is to reduce funding for public housing under the Commonwealth-State Housing Agreement and the second is to increasingly target housing to those identified as being ‘in greatest need’. This means that tenants coming into the system are in severe crisis or experiencing really high levels of need such as serious mental health issues, drug and alcohol problems, disability, long-term joblessness, relationship breakdown, acquired brain injury, domestic violence and frequently a combination of those. So they have very costly support requirements and are unable to pay very much in rent, which increases the housing authority’s costs and reduces their revenue. According to the Productivity Commission, Housing Tasmania, our state housing authority, performs well against a range of performance indicators but is undermined by that lack of recurrent funding and by a crippling Commonwealth-State Housing Agreement debt.

In response to these challenges it has been suggested that Housing Tasmania be restructured into some kind of government business enterprise. Anglicare has done research on this and we are very concerned that this kind of model is not appropriate for the delivery of public housing, particularly in the Tasmanian legislative and policy context. We believe that there are no advantages to such a system that could not be achieved under the current system. I have with me a copy of our paper that provides more detail on that research.

Housing Tasmania’s challenges are not unique. Across the country public housing authorities are struggling and I am sure that you have heard evidence in relation to that. State governments are increasingly moving to expand social housing supply through what are called growth providers where government provides capital to community housing organisations and this capital is then used to leverage private investment. Given the strong trend towards this model, we have done research into that area as well and our feeling is that there is a risk that this kind of private investment dependent model could compromise the needs of very low income tenants or tenants with complex needs. We are also not sure that the level of government subsidy available under the models being developed is sufficient in the long term to leverage the level of private investment required. Our view is that if these models are pursued, and they can certainly provide alternatives for some people, they should not be pursued at the expense of the existing public housing system.

Basically, in relation to public housing our message is this: our focus has to be first and foremost on the needs of the tenants. What works best for them? The evidence shows that public housing works best for them. Government policies at all levels over the last decade or so have undermined public housing and placed the system on an unsustainable footing. Now it is government’s responsibility—at all levels—to address that crisis. The first step would be to ensure that public housing authorities receive not just capital funds but recurrent operational funding that covers the full cost of providing housing assistance to clients, and we are very hopeful that the national affordable housing agreement will provide the funding. I am talking

about public housing because it is the foundation of our housing system, and it is the option that houses the most vulnerable people and everything is then built on that. So it is really important that that foundation is strong.

The other area of the housing system that I want to briefly mention is the private rental market. Once upon a time that was a stopgap between leaving home and moving into either homeownership or public housing. That is no longer the case. It has become the permanent option for many households and particularly for lower income households. The problem with that is that our private rental system is not set up for that. It is set up for investors to make capital gains, so tenants do not have security of tenure because landlords need to retain easy access to their asset, so leases are six to 12 months maximum.

In Tasmania, the private rental market is highly unaffordable. Many of the properties that are affordable are in very poor physical condition and there are very few legislative protections for tenants. What protections that do exist are not being proactively enforced. Many tenants feel so powerless in this tight market that they do not like to rock the boat by complaining. So we have had tenants who are clients of ours who are not asking for essential maintenance because they know that the landlord will use the fact that it is done as an excuse to put the rent up. They are not fighting unlawful evictions because they know they will get a bad reference, they will be blacklisted and they will not be able to find another property. They are living with mould, with no insulation or with rats under the floorboards because that is all they can afford. If we as a community are concerned about housing stress, then I think we really need to be concerned about the private rental market.

Obviously residential tenancy legislation is a state and territory responsibility and you are a federal committee, but Anglicare has been calling for a long time for our Residential Tenancy Act to be reviewed and amended, without success. The federal government has indicated that it is interested in engaging, in partnership with the states, in the private rental market through the NRAS, and that does provide an opportunity for federal leadership in encouraging legislative change.

That is a quick summary from our perspective. It may not be the focus of your inquiry, but hopefully it has been helpful. Thank you so much for the opportunity to come and speak to you about these issues.

CHAIR—Thank you very much, and thank you for your presentation, Ms Flanagan. I know that your focus is on paying things like bonds, as you said, and rent in advance, rent in arrears and so on, but what exposure does your organisation have to clients needing support to pay their mortgages? Do you have any homeowners who engage with you? I ask because we got some interesting evidence from the Salvation Army in Geelong, I think it was, about an increasing number of homeowners appearing as clients and needing support.

Ms Flanagan—I think we are seeing similar trends. There are people who are in financial stress that would not have been clients of ours prior to the housing boom. Coincidentally enough, there is a big front-page story in our local paper down south today in relation to that.

CHAIR—There is.

Ms Flanagan—Looking at that story and the other evidence that was cited, it is about small arrears. We know that very low income households who are budgeting very tightly are really vulnerable to small things like the fridge breaking down and needing repairs, the car breaking down or someone having an injury. These are financial crises that households with larger incomes have a cushion to protect themselves against, but for low-income households it is enough to really throw the household budget right out—for just a short period, but it is enough to have them coming through our door.

I do not know whether we have had people seeking financial support with mortgages, but we would certainly have had people seeking emergency relief parcels, for example—food vouchers, financial help with other bills and that kind of thing. I think a lot of households do prioritise housing and we know that it is the food budget that is the first to go and then it is the other bills. To pay the rent or the mortgage, they are making cuts in other areas.

Senator MOORE—Thanks, Ms Flanagan. I am looking forward to reading your submission. In terms of the picture you build, you have not mentioned community housing. We have had evidence from people who are working in that field in other states that are quite hopeful about the transition from a non-performing public housing base—and I think there is agreement it is not performing at the moment—to a more proactive community housing process. Do you have that kind of situation happening in Tasmania?

Ms Flanagan—Not really. We have a very small community housing sector. It is only about 400 to 500 properties.

Senator MOORE—Across the whole state?

Ms Flanagan—Yes. The waiting list is about that amount as well. It is small and fragmented. A lot of the providers have five or 10 properties each, so it is very small scale, whereas in other states you have much larger providers. We have looked at the models that are being developed in other states around growing social housing supply through the community housing sector. It is not an option at the moment in Tasmania, although there are lots of changes being mooted, lots of rumours—as I am sure there always are in every state.

We would be concerned if the government chose to sacrifice the public housing system, because it is such a valuable asset. It provides housing in Tasmania for 11,500-odd households—I do not have the exact number in my head. If it were funded properly, we know—because the evidence is there—how beneficial it could be for those households. In our community housing sector the satisfaction ratings among tenants are very high. Our community housing providers do a really good job, but they do not have the capacity at the moment, or the funding to build the capacity, to take on a larger role. So at the moment in Tasmania it is our public housing system that is the main player. Does that answer your question?

Senator MOORE—Yes. It seems that you do not want it to be yet another excuse to escape public housing for funding bodies.

Ms Flanagan—Yes. That is putting it bluntly, but yes. I think we need to protect what we have and also to not write off public housing. It is financially struggling at the moment, but it is financially struggling not because it is innately an inefficient model but because it is not being funded properly. I think that is very important to keep in mind when we hear of long waiting lists and that kind of thing. They are long because stock is being eroded because authorities are having to sell off stock because they cannot meet their operating expenses. Because of targeting, they no longer have the rental revenue that is needed to break even. So it is not because they are frittering away money or anything like that.

Senator MOORE—In your statement you talked about some states bringing in finite leases in their public housing. I know my state has.

Ms Flanagan—And you are from?

Senator MOORE—Queensland.

Ms Flanagan—Yes.

Senator MOORE—And the justification for that is that they need to review people's circumstances on a regular basis to see that they still need public housing. How do you respond to that?

Ms Flanagan—There are a number of things in that. Part of it goes to the role of public housing. It is not transitional accommodation; it is long-term accommodation. There seems to be a view based on the myth of the millionaire public housing tenant.

Senator MOORE—Yes, I have not met one, but I am waiting. I keep hearing about them.

Ms Flanagan—I do not know anyone who has. I do not know how targeted the Queensland system is at the moment, but in Tasmania we are very highly targeted—well over 90 per cent of tenants coming into the system are very high needs tenants with a lot of issues. Many of them simply will not have the capacity to improve their circumstances to such a degree that they become that millionaire public housing tenant. If you have a permanent disability, in the current employment market, as much as you might want to find work, you are going to be really up against it.

Senator MOORE—And certainly not in the \$60,000 to \$70,000 bracket.

Ms Flanagan—Exactly. The benefits of public housing accrue from the security of tenure. We see the benefits that we talk about in relation to homeownership—around self-esteem, the ability to connect to the community—in public housing tenants as well. There have been studies on the non-housing outcomes of public housing. We start to undermine those benefits if we say to households, 'The minute your income hits a certain point, we're pushing you out of the system.' When we look at the long-term trend in relation to public housing, in Tasmania and in other

states, it is one of increasingly targeting that resource. Once we start to target it even further, we extend that trend into security of tenure.

I was at a conference recently and the representative from the Queensland housing department was saying that currently the income point at which they ask you to move on is quite high—\$80,000, I think she said, which is quite generous. But I guess our concern, looking at the long-term trend of increased targeting, is that that income threshold will start to come down and, in the end, our public housing system will become a crisis shelter. That is not what it is for and that is not where the benefits accrue to tenants.

We have households living in crisis accommodation long term at the moment because there are no long-term options to move them on to, and it is incredibly stressful for those households. They are on a recurring three-month lease. They know that the organisation is unlikely to put them out onto the street but, still, when their kids ask, ‘Where will we be next year?’ they do not have any answers. That is incredibly stressful and it undermines their capacity to put down roots in the community. I think what we really want is for all people to be able to be part of our communities and contribute, whether it is through paid employment, raising children, volunteer work or simply being good citizens. That is what I am sure we are all after.

Senator COLBECK—I have a question from where Senator Moore left off in respect of the targeting of public housing. We have heard evidence, particularly in New South Wales, about the unsustainability of the current structures, which you have already talked about. Really, it is the narrowing of the targeting that is the problem. Do you agree that when there was a much broader base to public housing—and you have effectively given a definition of public housing at the outset but then you have talked about welfare housing—that targeting worked towards the unsustainability of the current structure?

Ms Flanagan—Yes, absolutely. It has played a big part. When you talk about the financial structure, the rental revenue has gone down so significantly, and there are also the support costs for the tenants. We are also seeing—and I am sure you are seeing it in other states, particularly in broadacre estates and high-rise developments—a concentration of very disadvantaged people all living in one place. Of course, that then feeds in to a whole range of other problems, including antisocial behaviour, long-term unemployment, a contraction of services away from the community and then the difficulty of service delivery in those communities when there is not the infrastructure to support that. So it is certainly a problem. I guess from the housing authority’s perspective, if you have three homeless people coming through the door it is very difficult to say, ‘We’ll only house two of you because we want to have a sustainable mix.’ It is that ongoing challenge: do you invest in emergency departments in hospitals or do you invest in preventative health care. It is a constant challenge for government, I am sure, as to where you put the priorities. However, if we were able to increase the supply of public housing, if we had sufficient funds to look at breaking up those broadacre estates, redeveloping them into mixed communities without reducing the level of public housing in the system, then we would be able to bring in a broader client group and an income mix, and build a more sustainable community in that way.

Senator COLBECK—You have talked about your desire to see public housing remain as public housing. We heard evidence this morning about some of the significant inefficiencies within the system. We heard of a private organisation taking over the management of the rent management process from Housing Tasmania and making significant gains in respect to the

efficiencies in that process. There must be ways forward with the engagement of organisations and groups such as that which you are involved with. The 400-odd properties that are available in the community sector in Tasmania I think might equal one community sector organisation as a whole in Victoria that we talked to. So there is an understandable difference there. But surely there is real capacity for organisations such as yours which has that support principles base to actually build the system within the state.

Ms Flanagan—Absolutely. We have been calling for some time for capacity building within the community housing sector so that it can grow supply. I think it is important to recognise that public housing also has significant support networks. In Tasmania our housing agency is in the Department of Health and Human Services, so it is in the same department as disability services, mental health services and drug and alcohol services. There are obviously synergies there and we know that sometimes bureaucracy does not work perfectly and, like all departments, there are those challenges around how you integrate the different agencies but there are opportunities there as well.

In regard to your point about rent collection practices, I guess we come at it from the perspective of tenants. We have public housing tenants who are our clients and have got behind in their rent. We try to work out a budget with them so that they can repay their rent. We find that there is not a lot of capacity in their budgets and that they are only able to make small repayments. Very recently we have seen a move to increase rents in our public housing system and the rationale for that is for greater efficiency.

Our concern is that efficiency should not mean shifting the burden of responsibility onto tenants—improving your bottom line by making tenants pay more. There is something wrong, particularly when the system has been undermined by a reduction in funding by both the state and Commonwealth governments, in saying: ‘We need greater efficiencies and so we are going to recoup rental arrears more aggressively. We are going to lift rents. We are going to end security of tenure. We are going to make it the tenants’ responsibility to fix the problems in the system.’ I think we would have concerns about that.

Senator FIFIELD—I think you said at the outset that public housing really provided the foundation for housing in Australia. You also said that you do not think that public housing should be looked at as being transitional—and I agree to the extent that public housing should not be viewed as some sort of crisis or shelter accommodation. But do you think that public housing should be transitional in the sense that the security and affordability of that housing for the people who are in public housing gives them the option to aspire to either eventually owning or renting in the private market?

Ms Flanagan—This time last year we did a project where we went out and talked to people on the public housing waiting list about their circumstances. We asked a number of questions of them, and one of the questions was: ‘Why do you want to be in public housing?’ They said it was security of tenure: you get in there, you know that you do not have to move on in six months, you know the landlord is not going to sell the house under you. Then we said, ‘Do you see yourself in public housing for the rest of your life?’ A lot of them said: ‘No. I would like to own my own home one day. I would like to move out of public housing. It is about getting myself settled, and then I will move on.’

Security of tenure does not necessarily mean you stay there in that one house for the rest of your life. It means that you do not have to move on until you are ready and you choose to move on. I think that is the critical difference. A lot of the people that we spoke to did want to become homeowners; they did want to better their circumstances, as it were. But they needed the security and the knowledge that they were not going to have to move out straightaway; that their kids would not have to change schools again for the next six years. That is what they needed, and that is what they were looking for—more than affordability, even. It was about the security of tenure.

Senator FIFIELD—We have also heard a bit this morning—and you have mentioned—about the public housing debt that Tasmania has. I think a figure in the order of \$200 million has been cited—

Ms Flanagan—Two hundred and something, yes.

Senator FIFIELD—which, to me, is an extraordinary figure which must be five, six, seven times the annual budget of Tasmania, if not more.

Senator COLBECK—I think we can do better than that! It is a lot of money.

Senator FIFIELD—It is a lot of money. How did that situation come about in the first place?

Ms Flanagan—It is historical. The Commonwealth-State Housing Agreement originally provided its funding in the form of loans rather than grants, and so all of the state housing authorities accumulated the debt or had debts. I am not across the details of how all of the other states have managed it, but some states have chosen to divert a big chunk of money and pay it all off to get it out of the way. In South Australia they have recently embarked upon a significant sales program of public housing stock and they are going to use that money to accelerate their debt repayments.

In Tasmania the main issue for the community sector is that the debt sits in Housing Tasmania's budget. I think we get about \$21 million odd—I have got the figures in this enormous pile of paper—in Commonwealth base funding through the CSHA each year, and we turn around and \$17 million of that goes straight back. So it is a significant slice of our housing budget.

Our argument is that if the Commonwealth does not retire that debt, which would be ideal, the state government should move it into general government debt so that the burden does not sit with Housing Tasmania. The state government's argument is that that will not make any difference to the overall state budget, so there is little point in them doing that—but it will make a difference to Housing Tasmania's budget, and that is our point: it would free up significant funding that could then be used to increase supply, support tenants and all of those kinds of things.

CHAIR—You have some documents there which you might wish to—

Ms Flanagan—You do not have to read them all!

CHAIR—No, we are good at the reading bit! You may like to pass those up to us. Thank you very much for those, and may I thank you very much for your presentation this afternoon and for your time today. It has been very helpful to the committee and we have enjoyed the opportunity to discuss the issues.

Ms Flanagan—You are very welcome. Thanks very much for having me.

CHAIR—That concludes our hearing in Launceston for today. The committee will conduct its final public hearing in Canberra on Wednesday morning. The committee is adjourned.

Committee adjourned at 2.02 pm