



Australian Government

Government Response to

**‘A good house is hard to find: Housing affordability in
Australia’**

Report by the Senate Select Committee on
Housing Affordability in Australia

1. Introduction

The Australian Government acknowledges that housing affordability is a significant issue. The reasons for this are complex and there are no overnight solutions. The Government recognises that there are a number of critical factors, many of which have been identified by the Committee, that are impacting on housing affordability.

One of the fundamental causes of declining housing affordability is that housing supply has not kept pace with demand, causing house prices and rental costs to increase. Industry commentators forecast a gap between the underlying demand and supply is likely to continue over the coming years without intervention.

The impact of the housing shortage, as it reduces affordability for home purchase and private rental, increases demand for social housing.

The ability of the social housing sector to meet an increasing demand for housing assistance is limited. Social housing is predominantly allocated on the basis of need and waiting lists are growing as more and more disadvantaged households find it harder to find appropriate accommodation in the private rental market. Of the 35,101 new allocations to social housing in 2007-08, 19,318 (55 per cent) were to those in greatest need i.e. they were homeless, their life or safety was at risk, their health condition was aggravated by their current housing, their housing was inappropriate to their needs or they had very high rental costs.¹ As well as those already in the social housing system, there are around 177,000 people on the public housing waiting list and around 180,000 households in the bottom two income quintiles in private rental paying more than 50 per cent of their income in housing costs (Census 2006 – unpublished data).

An increasing number of people are finding themselves homeless or at risk of becoming homeless with a lack of suitable accommodation and services to support their needs. Around 105,000 Australians are homeless on any given night. On Census night in 2006, 16,357 of these people were sleeping rough – including 3,275 children accompanied by one or both of their parents. The number of rough sleepers increased by 19 per cent between 2001 and 2006.²

A new approach to homelessness is required that provides people who are homeless with the support they need to access opportunities available to all Australians. This includes having somewhere safe and secure to live, being able to get a job, access services, connect with family, friends, the local community, and get help to deal with personal crises.

The Government has released a White Paper on Homelessness, “The Road Home: A National Approach to Reducing Homelessness, which sets out the agenda for tackling homelessness to 2020.

The White Paper sets a clear direction for reducing homelessness through two headline goals: to halve the number of people experiencing homelessness and to offer accommodation to all rough sleepers who seek it by 2020. These goals will be achieved using three key strategies:

¹ Australian Institute of Health and Welfare (AIHW) 2008. Community housing 2006-07: Commonwealth State Housing Agreement national data reports. Housing assistance data development series. Cat. No. HOU 172 Canberra: AIHW

² Australian Census Analytic Program; Counting the Homeless 2006, ABS Cat No. 2050.0, 2008

- Turning off the tap: making sure services intervene early to prevent people becoming homeless in the first place;
- Improving and expanding services: ensuring that homelessness services are more connected and responsive so they achieve positive outcomes for their clients; and
- Breaking the cycle: helping people end the cycle of homelessness by providing them with stable housing and support as soon as possible.

Homelessness is a complex problem, but the Government is confident that by taking action now we can reduce homelessness over the next decade.

Australia's Indigenous populations in remote areas present greatest level of housing need. One quarter of Australia's Indigenous people live in remote areas. In 2004-05, 30.8 per cent of Indigenous people aged 15 years and over in remote areas, and 60.4 per cent in very remote areas, lived in overcrowded households. Including children, the proportion in very remote areas was higher still (63.4 per cent). Using data sourced from the Australian Bureau of Statistics, Community Housing and Infrastructure Needs Survey (CHINS) 2006, the average occupancy per dwelling in remote areas is estimated to be 8.8 persons per dwelling.

Overcrowding combined with Indigenous population growth means that more stress is placed on existing Indigenous housing-related infrastructure and stock in remote areas. The average house in remote areas in Australia has a significantly reduced life cycle (seven years) compared to public housing elsewhere in Australia which could have a life cycle of up to 30 years.

The Australian Government is committed to improving housing affordability and is aware that after many years of neglect, there is more to do to address housing affordability issues. Critically, there is a need for all levels of Government to work cooperatively to provide more opportunities for households to secure accommodation that meets their needs. That is why this Government has committed to a new National Affordable Housing Agreement with the States, Territories and local governments.

The new agreement encompasses housing assistance provided at all levels of government. It improves the ability of all governments to deliver affordable housing for low and moderate income earners – and maintains the funding levels of the programs it is replacing. The National Affordable Housing Agreement clearly sets out the roles and responsibilities of each level of Government – the Commonwealth, States and Territories and local government and provides greater accountability for outcomes at each level of government.

The NAHA is complemented by additional Commonwealth funding through National Partnership Agreements of \$400m for homelessness, \$400m for social housing and \$834.6m for remote indigenous housing over 5 years. In addition the Australian Government has committed to investing \$5.64 billion in social housing as part of the Government's \$42 billion Nation Building and Economic Stimulus Plan together with the assistance of the not-for-profit housing sector will construct up to 19,200 new public and community housing dwellings. 15,000 of those dwellings will be complete by December 2010. This is the largest single amount ever committed by an Australian government to social housing, and is vital to help us meet our target of halving homelessness by 2020.

Other measures are now being implemented, including:

- An historic commitment to halve homelessness by 2020, with \$800 million allocated over the next four years for additional services to prevent homelessness where possible and assist people who become homeless to return to stable housing.
- A National Rental Affordability Scheme that invests \$1 billion over four years to help build 50,000 new affordable rental dwellings. Rent for these properties is 20 per cent below the market rate for eligible tenants. If demand for rental properties is still strong, a further 50,000 properties will be built from 2012 onwards;
- A \$512 million Housing Affordability Fund to lower the cost of building new homes by tackling the critical supply side issues of the length of time taken to bring new houses to sale and the impact of infrastructure charges. The Fund gives priority to proposals that improve the supply of new affordable housing, especially homes that help first time buyers enter the market;
- Increasing the supply of land for housing by releasing surplus Commonwealth land for residential and community development;
- A National Housing Supply Council to improve the evidence base for housing policy development by providing research, forecasts and advice to government on issues such as the adequacy of housing and land supply to meet future housing needs;
- The 'A Place to Call Home' initiative, which invests \$150 million, matched by States and Territories to reduce homelessness, including through building 600 new houses for homeless Australians;
- Investment of \$1.2 billion in new First Home Saver Accounts to help aspiring first home buyers save a bigger deposit through low tax savings accounts, which attract Government contribution of up to \$850 per year;
- The Government's additional investment of almost \$1.5 billion for the First Home Owners Boost, announced on 14 October 2008, further responds to the housing affordability challenge and has helped strengthen residential investment activity in Australia.
- On 25 February 2009, consistent with its election commitments, the Government revamped the Commonwealth Property Disposals Policy. Properties that are surplus to Commonwealth requirements will be sold, where possible for housing and community outcomes, and listed on the publicly available Commonwealth Surplus Land Register.

This is the first significant new investment to improve housing affordability for all Australians in over a decade.

The Government's responses to the recommendations made by the Committee are set out in Part 3 below. The Government considers that a large number of the recommendations made by the Committee are already being addressed, either directly or indirectly, by the Government's new housing affordability measures. Some of the recommendations warrant further investigation. Where recommendations are specifically directed at States,

Territories and local government, the Government is keen to work with them as appropriate to achieve better outcomes on housing affordability.

2. Background

On 14 February 2008 the Senate established a Select Committee on Housing Affordability to inquire into and report on the barriers to home ownership in Australia, including:

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

The Committee held 14 public hearings throughout Australia between 1 April and 7 May 2008 and over 100 submissions were received.

The Committee's report, entitled '*A good house is hard to find: Housing affordability in Australia*' was tabled and released on 16 June 2008. The report included 32 recommendations covering a wide range of issues which have either a direct or indirect impact on housing affordability or homelessness issues. While some recommendations were specifically directed towards State, Territory and local governments, the majority of the recommendations are issues that require consideration by the Australian Government.

3. Response to the Committee's recommendations

Recommendation 2.1

The committee recommends that, given the very high levels of housing stress, overcrowding and homelessness experienced by Indigenous Australians, all levels of government should give priority to addressing their high level of unmet need for public and community housing under all existing programmes and the National Rental Affordability Scheme.

AGREE

The Government recognises the severity of the housing issues that face many Indigenous Australians. Through the Council of Australian Governments (COAG), the Commonwealth and State and Territory governments established seven working groups to progress its 2008 work agenda. These working groups included one focussing on housing issues and one focusing on Indigenous reform. Indigenous housing issues were considered by both working groups as part of the reforms to Commonwealth-State financial arrangements, specifically to ensure that Indigenous people have the same housing opportunities as other Australians. The COAG Working Group on Indigenous Reform highlighted *Healthy Homes* as a building block in its framework to address *Closing the Gap* in Indigenous Life Outcomes.

Improvements to the current poor standard of housing and infrastructure, and measures to address the high levels of overcrowding and homelessness in remote communities are critical to meeting the COAG endorsed targets addressing Indigenous disadvantage.

The Government has negotiated a new National Affordable Housing Agreement (NAHA) with the State and Territory Governments as part of the COAG reform agenda which came into effect from 1 January 2009. Indigenous housing and addressing the level of overcrowding in remote Indigenous communities is a reform priority within the NAHA framework.

Specifically, the Australian Government has, through COAG provided nearly \$1.94 billion in additional funding for Indigenous housing in remote areas over the next ten years.

The Government has placed a high priority on housing outcomes for Indigenous Australians through the Housing Affordability Fund and National Rental Affordability Scheme. Proposals that maximise long term affordable housing outcomes for people with special needs such as people with disabilities, older Australians and Indigenous people are being be considered favourably in the assessment process.

Recommendation 4.1

In the interests of more informed discussion of arrangements to encourage affordable housing, the Treasury be asked to publish current estimates of various taxation and related measures affecting the housing market.

NOTED

The Government notes that estimates of tax and other measures affecting housing are currently being published.

The Tax Expenditure Statement is published annually. Estimates of the capital gains tax concession on owner occupied housing are being developed for the 2008 Tax Expenditure statement. The publication also estimates the tax expenditure from exempting certain regional and remote area employer provided housing from fringe benefits tax.

The Australian Taxation Office publishes Taxation Statistics annually. The detailed tables give estimates of negatively geared rental housing each year.

Recommendation 4.2

The committee recommends that Australia's Future Tax System Review Panel consider the implications for housing affordability, as well as the overall fairness of the tax system, of the:

- *tax discount for capital gains on investor housing;*
- *exemption from land taxation of owner-occupied housing; and*
- *current negative gearing provisions.*

NOTED

The Government will refer this recommendation to the "Australia's Future Tax System" Review Panel for consideration. The recommendation falls within the review's existing Terms of Reference. Paragraph 3.4 states that 'the review will consider...(3.4) enhancing the taxation arrangements on consumption (including excise taxes), property (including housing), and other forms of taxation collected primarily by the States.' Paragraph 4.2 of the terms of reference stipulates that 'the review should make coherent recommendations to enhance overall economic, social and environmental wellbeing, with a particular focus on ensuring there are appropriate incentives for: (4.2) individuals to save and provide for their future, including access to affordable housing:...'".

Recommendation 5.1

The committee recommends that the proposed National Housing Supply Council develop a database of skilled labour in the construction industry across all skill sets and in all states and territories. It should be tasked with assessing the construction industry's future skilled labour needs based on projections of other industries' workforce needs and forecasts of both underlying and effective demand for housing. The Council should also record the contribution of immigration programmes to the construction workforce as well as the industry's retention rates.

NOTED

The National Housing Supply Council has noted that the assessment of labour supply is within its terms of reference and is considering the Committee's recommendations as part of its future work program. The Council will look at the impacts of immigration and other changing demographic trends as part of its ongoing work.

The Council will provide forecasts on the adequacy of land supply and construction to meet future demand for housing and will publish an annual State of Housing Supply Report analysing supply needs up to 20 years into the future.

The Government is providing an extra 711,000 training places under the Productivity Places Program over the next five years – including in the building and construction sector – to ensure Australia's workforce has the necessary skills to meet demand as growth strengthens.

The National Housing Supply Council will consider the availability of skilled labour in the construction industry as part of the analysis done for its annual State of Supply Report. The Council will draw from a number of sources, including labour market research already conducted by the Department of Education, Employment and Workplace Relations, the Australian Bureau of Statistics, the Construction and Property Services Industry Skills Council and various other industry groups.

In September and October 2008, and in February 2009 the Government announced the release of additional training places for job seekers as part of the Productivity Places Program. These new places will take the Government's total commitment to the Productivity Places Program to more than \$2 billion with more than 711,000 new training places created over five years.

Recommendation 5.2

The committee recommends the establishment of a working group, chaired by the Development Assessment Forum, to review the need for classes of development to require planning approval. The focus of this working group should be to demarcate those activities that should be performed by fully qualified planners and those that can be undertaken—at least initially—by less qualified 'paraplanners'.

NOTED

The Government acknowledges that effective and timely planning measures are fundamental to ensuring improvement of affordable housing supply.

One of the ways that the \$512 million Housing Affordability Fund will increase the supply of affordable housing is by providing funds for reforms to planning processes, thus reducing delays in development approvals and developer 'holding' costs. Four of the projects short listed for funding in Round One of the Fund will deliver planning reforms, and a further four projects a mixture of infrastructure provision with reform of planning processes. Subject to business case analysis, the project will receive funding of over \$46 million.

A further \$30 million from the Fund is being used to roll out electronic development assessment systems and online tracking services to reduce red tape and streamline planning approval processes.

The Government is committed to working closely with all spheres of government, particularly local councils, to reform infrastructure and planning requirements, to make sure that savings are passed on to home buyers.

The Government notes that while the Development Assessment Forum (DAF) has undertaken significant work in the area of streamlining the development assessment process it does not have the regulatory power or the necessary resources to undertake the work being recommended by this Senate Select Committee. The Local Government and Planning Ministers' Council (LGPMC) is leading the national reform process for development assessment and has carriage of these issues.

Recommendation 6.1

The committee recommends that the state and territory governments introduce enabling legislation for inclusionary zoning to require affordable housing in all new developments, including a proportion of social housing.

NOTED

A number of State and Territory Governments have already introduced zoning requirements on new developments in an effort to increase the supply of affordable housing. The South Australian Government, as part of its planning strategy for metropolitan Adelaide introduced an 'urban boundary' in 2002 to promote efficiency in urban management with an emphasis on focusing residential development in established suburbs where there is already significant investment in infrastructure. The ACT, through its *Affordable Housing Action Plan* has introduced requirements that ensure at least 15 per cent of blocks are priced in the \$60,000-\$120,000 price range. This is achieved by introducing a range of block sizes, rather than through 'inclusionary zoning'.

The new National Affordable Housing Agreement supports a range of measures that improve the supply of affordable housing, including policy and reform directions that will increase the supply of "entry level" homes for low and moderate income earners.

Recommendation 6.2

The committee recommends that the state and territory governments encourage and promote the design and construction of adaptable housing which facilitates access improvements for the elderly and disabled and allow a larger house to be converted into smaller, separate units.

NOTED

The Government supports innovation and flexible and universal design concepts that enable residents to 'age in place' and that provide opportunities to better utilise larger dwellings as the need to maintain a 'family home' environment is diminished.

The Government has invested an additional \$400 million over two years for the National Partnership Agreement on Social Housing and \$5.64 billion on social housing through the Nation Building and Economic Stimulus Plan. These Agreements enable State and Territory Governments to access funding to build new social housing dwellings. In particular, these initiatives support projects that enhance the ability of persons who are homeless or at risk of homelessness, including Indigenous people and pensioners to move from short term crisis accommodation arrangements to secure, safe and long term housing that meets their needs. The new dwellings funded under these initiatives aim to meet universal design principles, making them suitable for older people and people with a disability.

Innovative building design that allows larger houses to be converted into smaller separate units, and re-aggregated into a larger house, at various stages of the housing lifecycle is one option for increasing accommodation supply and improving housing affordability. Such proposals need to be considered in the context of broader urban development planning.

Recommendation 7.1

The committee recommends that all state and territory governments consider stamp duty exemptions for first home buyers and for retirees who are downsizing their primary residence.

NOTED

Most States and Territories have already undertaken significant reforms in the area of stamp duty on residential conveyances.

Most States and Territories provide exemptions from, or concessions to, stamp duty for first home buyers. These measures include:

- The NSW First Home Plus scheme which provides eligible purchasers with exemptions on transfer duty and mortgage duty on homes valued up to \$500 000 and concessions on duty for homes valued between \$500,000 and \$600 000; and no duty on vacant land valued up to \$300,000, and concessions on duty for vacant land valued between \$300,000 and \$450,000. In addition the NSW First Home Plus One scheme allows eligible purchasers to buy property with other parties and still receive a concession. To qualify the eligible must buy at least 50 per cent of the property.

Transfer duty is calculated with reference to the proportion of the property purchased by the other parties, if in excess of 5 per cent.

- The Victorian 2008-09 Budget announced first home buyers eligible for the First Home Bonus will now be eligible for the first time for the lower Principal Place of Residence concessional rate of stamp duty to eligible purchases valued up to \$500,000. For first home buyers of a median first home valued at \$432,500 this is equivalent to \$4.075 saving on an equivalent investment property.
- In Queensland, there are reductions in Stamp duties on the residential home rate of up to \$3,200 for first home buyers buying homes valued up to \$499,999.
- In WA no duty is payable for first home buyers where the value of the home does not exceed \$500,000 and there are graduated concessional rates for homes up to the value of \$600,000. No duty is payable on vacant land up to \$300,000 and between \$300,000 and \$400,000 a graduated concessional rate.
- In SA there are no separate residential stamp duty scales. However first home buyers receive the First Home Bonus Grant (FHBG). The FHBG is an additional payment for first home buyers who qualify to receive a First Home Owner grant of \$4000 where the market value does not exceed \$400,000. this grant phases out by \$8 for every \$100 in excess of \$400,000.
- In Tasmania there are no separate residential stamp duty scales. However there is no duty for first home buyers for properties valued up to \$152,100. For properties valued between \$152,100 and \$225,000, the concessional rate of duty is \$3.50 for every \$100, or part, which exceeds \$152,100. For properties valued between \$225,000 and \$350,000 the rate of duty is \$2550 plus \$4 for every \$100, or part, which exceeds \$225,000.
- In the ACT the home buyer concession scheme that has eligibility criteria of income limits, property value, previous property ownership provides for a minimum duty of \$20 for properties up to \$333,000 in value, with a graduated concession for properties valued up to \$412,000. Aside from the Federal Government First Home Owner Grant there is no separate ACT first home owner stamp duty concession.
- In NT the Principal Place of Residence Rebate scheme provides a rebate against the value of the property, on which home buyers will pay no stamp duty on the first \$111,850 of a property's sale. The balance of duty is calculated by a formula. First Home Buyers have this taxable threshold raised by 10 per cent to \$123,035. On 27 October 2008, NT announced \$14,000 grant to home buyers not eligible for the Commonwealth First Home Owner Boost payment entering into a contract to build or buy a new house or a new unit. The scheme will run until 30 June 2009.

Other reforms include:

- the abolition of mortgage duty, lease duty and other state stamp duties, under the 1999 *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*;
- the Victorian Government's commitment to spend \$4.7 million over 2 years to help local councils cut red tape, improve efficiency and make housing more affordable;

- home purchase assistance measures in the ACT's April 2007 *Affordable Housing Action Plan*, including stamp duty concession and stamp duty deferment initiatives as well as introducing affordable house and land packages.

Additional assistance is provided to new homeowners through the First Home Owner Scheme (FHOS). The scheme was introduced on 1 July 2000 to compensate eligible first-home buyers for the one-off impact of the GST on house prices. It is a national scheme funded by the states and territories and administered under their own legislation. Under the scheme, a one-off grant of \$7,000 is payable to first home owners that satisfy all the eligibility criteria.

In addition to the FHOS, on 14 October 2008, the Australian Government announced additional investment of around \$1.5 billion in the housing market through the First Home Owners Boost that will enable first home buyers to access grants of up to \$21,000. The First Home Owners Boost is part of the Government's \$10.4 billion Economic Security Strategy to strengthen the Australian economy during the global economic crisis.

The Government understands that one of the biggest barriers to becoming a first home owner is saving a deposit. To assist in this regard, the Australian Government is investing \$1.2 billion to establish new, low tax, First Home Saver Accounts to help aspiring homebuyers save for their first home.

The new accounts commenced in October 2008 and provide a simple, tax effective way for Australians to save a deposit for their first home through a combination of a Government contribution and low taxes.

The application of stamp duty on housing is a matter for consideration by "Australia's Future Tax System" Review Panel.

Recommendation 8.1

The committee recommends that the Western Australian Auditor General assess LandCorp's performance in releasing residential land in the Pilbara region over the past five years.

NOTED

The Government considers that this is primarily a matter for the Western Australian Government.

Recommendation 8.2

The committee recommends that the Western Australian government review the Western Australian Land Authority Act 1992 and the governance and goals of LandCorp, in particular the requirement under section 19 that it must 'endeavour to surpass financial targets'.

NOTED

The Government considers that this is a matter for the Western Australian Government.

Recommendation 8.3

The committee recommends that the Western Australian government increase the investment in public and community housing in the Pilbara region as a matter of priority. The merits of the Stamfords / Pilbara Association of Non Government Organisations proposal and/or the development of apartment buildings should be considered as a means of rapidly addressing unmet need for social housing in Karratha.

NOTED

This is a matter primarily for the Western Australian Government. Through the Council of Australian Governments, the Government, States and Territories have reformed Commonwealth-State financial arrangements. A key feature of the new financial framework is increased flexibility for the States and Territories to direct resources to areas of greatest need.

Western Australia is receiving additional funding from the Australian Government under the Nation Building and Economic Stimulus Plan, the Remote Indigenous Housing Partnership Agreement and the Social Housing Partnership Agreement to build new social housing dwellings in areas of need such as the Pilbara region.

Recommendation 8.4

The committee recommends that the Australian and Western Australian Governments establish a high-level emergency taskforce to consult with Pilbara communities and industry to develop a coordinated response to the housing affordability crisis in the Pilbara with a view to creating long-term sustainable communities in the region.

NOTED

The Australian Government is aware that there are specific localities throughout Australia that have difficult housing issues both in regard to affordability and supply and demand. Issues faced by the Pilbara are also being faced in other regions of Australia.

The Government acknowledges that groups such as the Pilbara Industry Community Council and the Pilbara Area Consultative Committee are working with industry, Local Government, the Western Australian Government, and the Commonwealth Government to develop strategies to manage projected population growth and associated infrastructure implications in the region.

The Pilbara Area Consultative Committee is working with the Pilbara Development Commission a State funded agency and the Pilbara Regional Council representatives of the four local government authorities, to develop an evidence-based, regional wide vision and plan that will address the urgent need for community infrastructure in the region.

The Pilbara Plan, released in late 2008 provides a strategic plan for the Pilbara Region that is responsive to community need and provides a framework and schedule of priority projects to inform the Pilbara's further development.

Recommendation 8.5

The committee recommends that, in conjunction with the emergency taskforce, all tiers of government hold a number of all-party community meetings in the Pilbara region to give Pilbara residents the opportunity to speak directly to elected representatives regarding the response required to address the housing affordability crisis in the region.

NOTED

The Department of Infrastructure, Transport, Regional Development and Local Government is working in partnership with the Pilbara Area Consultative Committee to identify opportunities, priorities and development strategies for the region.

Recommendation 9.1

The committee recommends that the Australian Government should increase the First Home Owners Grant Scheme for those buying new dwellings and lower it for buyers of existing dwellings. Any funds saved should be directed towards measures to increase the supply of affordable housing.

NOTED

The First Home Owners Scheme provides a grant of \$7,000 to eligible first home buyers to ensure that they are compensated for the one-off impact of the GST on the price of houses. The State and Territory governments are responsible for administering the Scheme in a manner consistent with the principles outlined in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, signed by the heads of Government in 1999.

The Government acknowledges that in difficult economic times there can be merit in the Government investing in sectors such as the housing industry to stimulate economic activity and increase housing supply.

To this end, the Government announced on 14 October 2008 an additional investment of around \$1.5 billion in the housing market through the First Home Owners Boost which commenced on 14 October 2008.

As a part of the 2009-2010 Budget the Government announced an extension to the First Home Owners Boost until 31 December 2009 with the amount to be phased down from 1 October 2009. This extension will continue to stimulate housing activity, support the construction industry and assist first home buyers to enter the housing market.

For contracts entered into on or before 30 September 2009, the First Home Owners Boost will continue to provide first home buyers with \$7000 for established homes and \$14,000 for new homes. In combination with the existing \$7000 grant under the First Home Owners Scheme, this means first home owners will receive \$14,000 for established homes and \$21,000 for new homes.

The First Home Owners Boost will then be phased down and cease after 31 December 2009. Between 1 October 2009 and 31 December 2009, the value of the First Home Owners Boost will halve, to \$3500 for established homes and \$7000 for new

homes, providing a total of \$10,500 for established homes and \$14,000 for new homes when combined with the First Home Owners Scheme grant.

The First Home Owners Boost initiative is part of the Government's \$10.4 billion Economic Security Strategy announced in October 2008 to strengthen the Australian economy during the global economic crisis.

This measure also builds on the Government's \$2.2 billion worth of housing initiatives in the 2008-09 Budget, including:

- a National Rental Affordability Scheme to build 50,000 new affordable rental properties;
- a Housing Affordability fund to reduce the cost of bringing new homes to market;
- First Home Saver Accounts to encourage young people to save for a new home.

Recommendation 9.2

The committee recommends that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether an 'Aussie Mac' style product would be beneficial in the Australian market.

NOTED

The Government has considered a range of proposals put forward for Government support of the residential mortgage backed securities (RMBS) market.

Historically, intervention by other governments in RMBS markets was often designed to facilitate the development of these markets as an alternative source of mortgage financing. By comparison, Australia's securitisation markets developed to maturity without the need for government assistance. Notwithstanding the impacts of the global financial crisis, the Australian Government has confidence in the underlying strength of our financial system and the long-term viability of the Australian RMBS market.

International experience, such as the recent US experience with Freddie Mac and Fannie Mae, suggests there is reason to be cautious about any long-term government intervention in the RMBS market. Such an intervention may:

- reduce the incentives for financial institutions to diversify their funding sources and manage the risks associated with changing market conditions;
- reduce the discipline on lenders to maintain appropriate lending standards, to the extent that governments purchase RMBS that are not attractive to private investors;
- result in price distortions, if governments purchase RMBS at a price that differs from market rates, which could impact on the management and pricing of risk and efficient allocation of resources in the economy;
- crowd out private sector investment, if governments use their funding advantage to become dominant players in RMBS markets;

- reduce competition from a diverse range of lenders and innovation in the provision of financing, as government intervention is often targeted at heavily regulated lending institutions in order to minimize governments' risks; and
- expose taxpayers to potentially significant financial risks, including the risk of mortgagors defaulting on their loans and market risks associated with changes in the value of RMBS purchased.

Nonetheless, the Government recognises that the current period of market dislocation has impacted disproportionately on the RMBS market in Australia and smaller lenders that are particularly reliant on the RMBS market as a source of funding. The Government announced on 26 September and 12 October 2008 that it will invest up to \$8 billion in Australian residential mortgage-backed securities, of which at least \$4 billion must be issued by non-authorised deposit taking institutions. This initiative will support competition in mortgage lending in Australia by enabling a diverse range of lenders to gain access to funding through RMBS issuance during the present period of market dislocation.

The Government's investment is subject to strict eligibility criteria to manage the associated risks and ensure lenders' adherence to appropriate lending standards. It is also subject to caps on the amount of RMBS that can be purchased from any individual issuer to ensure that a range of lenders benefit from the initiative and to avoid crowding out private sector investment.

The approach uses existing arrangements between the Government and the Australian Office of Financial Management (AOFM) to make the investment, which means that it is being implemented more quickly and at lower cost than the establishment of an "Aussie Mac" style institution. In addition, this approach allows the Government to provide temporary support to the RMBS market while it remains dislocated by the global financial crisis, without creating long-term distortions that could prevent the efficient operation of the market as market conditions normalise.

Recommendation 9.3

The committee recommends that the Australian Government increase support for home owners to undertake counselling to improve their financial literacy before they are allowed to access their superannuation to make mortgage repayments.

AGREE

The Government also offers a number of services under its Financial Management Program, including Commonwealth Financial Counselling, that help people to overcome financial difficulty and improve financial literacy skills.

Through Commonwealth Financial Counselling, the Government funds non-profit community and local government organisations to provide free financial counselling to people who are experiencing personal financial difficulties, including due to mortgage stress. In the 2008-09 Budget, Commonwealth Financial Counselling funding increased by \$2.5 million a year, bringing the annual funding to \$5.1 million (for 2008-09). Nationally, there are 61 organisations currently providing Commonwealth Financial Counselling services.

The Australian Securities and Investments Commission (ASIC) is developing a National Financial Literacy Strategy designed to help all Australians improve their financial literacy and develop the practices needed to achieve better financial outcomes. Under consideration for inclusion in the strategy is a range of approaches to providing financial planning and advice that will assist Australians, including prospective and existing home owners, to better manage their money.

Recommendation 10.1

The committee recommends that the Australian Government commission an independent evaluation of the Commonwealth Rent Assistance programme, to ascertain its effectiveness and cost effectiveness in improving housing affordability for low to medium income households and to make recommendations regarding future directions for the programme, including eligibility criteria.

The review should be undertaken in the context of a more comprehensive review of all government initiatives, both supply side and demand side, aimed at improving housing affordability.

NOTED

The Government's Pension Review has investigated measures to strengthen the financial security of seniors, carers, and people with disability by considering the:

- appropriate levels of income support and allowances such as Rent Assistance, including the base rate of the pension, with reference to the stated purpose of the payment;
- frequency of payments, including the efficiency of lump sum versus ongoing support; and
- structure and payment of concessions or other entitlements that would improve the financial circumstances and security of seniors, carers and people with disability.

The 2009–10 Budget contains substantial reform of the pension system, starting from 20 September 2009. Informed by the findings of the Review, the Government has developed the Secure and Sustainable Pensions package which will improve adequacy, security, and flexibility for people receiving Age Pension, DSP and Carer Payment and related payments (including related Department of Veterans' Affairs payments). In particular, the reforms will deliver improved relativities between rates paid to single and couple pensioners and an appropriate basis for indexation of pensions to reflect the cost of living faced by pensioners. The package will also simplify payments to pensioners, and provide more flexibility for them so that they have a secure basis for effective planning and budgeting.

Recommendation 10.2

The committee recommends that the Australian, state and territory governments increase the quantum of support available under Commonwealth Rental Assistance for older Australians living in private rental accommodation.

NOTED

As noted in response to Recommendation 10.1 above, a Pension Review Taskforce has been established as part of the Australia's Future Tax System Review. The taskforce has investigated measures to strengthen the financial security of seniors as part of the broader Tax System Review and analysis of issues relating to social support payments (including CRA) has been considered in this context.

Through the National Rental Affordability Scheme the Commonwealth Government provides incentives for private institutional investors to construct 50,000 affordable rental properties for low and moderate income earners by 2012. Older Australians on low to moderate incomes who are in need of rental housing are one of the groups expected to benefit from this Scheme.

Recommendation 10.3

In order to meet the immediate need for social housing of highly disadvantaged households, the committee recommends that significant new funding be invested, by both the Australian Government and state and territory Governments, under the new National Affordable Housing Agreement, with the aim of increasing the pool of social housing to at least 6 per cent of housing stock.

NOTED

The National Affordable Housing Agreement provides the basis for significant reform of social housing to improve the social and economic opportunities of tenants and provide for the long term sustainability of the social housing sector.

The Council of Australian Governments at its November 2008 meeting agreed to provide an additional \$400 million of Commonwealth funding over two years to construct new social housing dwellings. In addition the Commonwealth will provide an additional \$1.94 billion over 10 years under the National Partnership Agreement on Remote Indigenous Housing to improve the living standards of Indigenous Australians in remote areas by reducing overcrowding, homelessness, poor housing conditions and severe housing shortages.

The Commonwealth Government has also invested \$5.64 billion in social housing together with the assistance of the not-for-profit housing sector will construct up to 19,200 new public and community housing dwellings and repair over 47,000 existing properties through the Government's \$42 billion Nation Building and Economic Stimulus Plan.

The new Commonwealth-State financial arrangements provide more flexibility to the States and Territories to direct funding to areas of need.

Recommendation 10.4

The committee recognises the strengths that the Community Housing Sector brings to the delivery of social housing in Australia. In order to ensure that these strengths are fully employed, the committee recommends that the Australian, state and territory governments work more closely with Community Housing Associations to support them in meeting their social housing commitments and to explore options for attracting more investment, including private sector investment, into not-for-profit models of housing provision.

AGREE

The Government agrees that the community housing sector plays a critical role in providing social housing to individuals and families whose needs cannot be met in the private rental market. The community housing sector has grown over many years and now represents 9 per cent of social housing stock. The sector is diversified and reflects its origins and community settings dealing with local circumstances or highly specific needs.

The Government, together with the States and Territories is looking at ways to further support the sector through the National Affordable Housing Agreement, the National Partnership Agreement on Social Housing and the National Rental Affordability Scheme. In the National Affordable Housing Agreement the States and Territories and the Commonwealth committed to a range of ongoing reforms in the housing sector. One of the agreed reforms is to enhance the capacity and growth of the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework.

A national approach will enable community organisations to work across state and territory borders and to receive consistent policy and funding treatment. It will also encourage the entry of new housing providers to improve competition and greater choice and tenure mobility for tenants.

Recommendation 10.5

With a view to building more sustainable social housing in the longer term the committee recommends that the pool of social housing stock be increased to at least 10 per cent of housing stock by 2020, facilitating the entry into social housing of a more diversified mix of low to medium income earners.

NOTED

As noted above the Nation Building and Economic Stimulus Plan and National Partnership Agreement on Social Housing provide an additional \$6 billion to the States and Territories for the construction of new social housing dwellings and redevelopment of existing public housing estates. In addition the additional funding provided through the National Partnership Agreement on Remote Indigenous Housing will improve the supply of housing in remote Indigenous communities.

Measures such as the National Rental Affordability Scheme and the Housing Affordability Fund, also directly increase the supply of affordable rental housing or lower the cost of new housing. This reduces the demand for social housing by increasing the housing options for lower income households.

Increasing Australia's social housing stock to 10 per cent of all housing stock requires careful consideration. To purchase or construct an additional 350,000 houses to add to

the social housing pool would cost in the order of \$100 billion, and would have significant consequences for the construction industry, the financial sector and the shape of Australia's home ownership and rental housing markets.

Recommendation 10.6

As an additional measure to improve the sustainability of social housing, the committee recommends that the formula used to calculate the level of rent paid in social housing be reviewed, with a view to enhancing the sustainability of social housing stock (and, if possible, providing for growth), while maintaining affordability.

The review should include an examination of the interaction between social housing and Commonwealth Rent Assistance payments, and how these two programmes might be best utilised to maximise socially and economically sustainable outcomes in terms of access to affordable housing.

NOTED

The new National Affordable Housing Agreement incorporates assistance provided for social housing and homelessness and Commonwealth Rent Assistance.

Under the new Commonwealth-State financial arrangements, States and Territories have increased flexibility enabling them to direct funds to areas of greatest need.

Rental subsidies or rent setting policies for public housing are determined and administered by the States and Territories. Research has examined social housing rental policy in Australia and overseas and identifies reform options for Australia's social housing finance system, including that financial viability of state managed social housing might also be improved through measures not involving rental policy – such as improving efficiencies in tenancy, property and asset management and housing acquisition.³

Recommendation 10.7

The committee recommends that the Australian Government consider whether the level of increased support to the Supported Accommodation Assistance Program being offered under the 'A Place to Call Home' initiative is sufficient to address the level of unmet need, and increase support to emergency assistance programmes provided by charitable organisations to assist the growing numbers experiencing financial crisis.

AGREE

Under the *A Place To Call Home* initiative, the Australian Government provided \$150 million, matched by State and Territory Governments, to build 600 homes across the country over the next five years. These houses provide long-term, supported accommodation for people who are experiencing homelessness. This initiative represents a significant down-payment on the Government's goal of reducing homelessness over the next decade. In addition, the National Partnership Agreements on Homelessness and Social Housing as well as the Social Housing Initiative under the Nation Building and Economic Stimulus Plan will deliver a total of \$7.14 billion worth of new assistance for homeless people over five years to 2013. This will enable

³ Australian Housing and Urban Research Institute (AHURI) 2006, Project 50226 Rental Systems in Australia and Overseas, McNelis and Burke

new support services to be created for people who are homeless, as well as new housing to be built.

The Government's long-term response to homelessness is outlined in the White Paper on homelessness which sets out strategies and goals to reduce homelessness by 2020. The White Paper focuses on a national strategic approach across three broad strategies: to Intervene early to prevent homelessness; improve and expand services that aim to end homelessness; and ensure that people who become homeless get support from the crisis system that can stabilise their situation and ensure homelessness does not recur.

There are not any overnight solutions but initiatives already underway represent a significant start toward tackling the critical issue of homelessness. The Government is committed to delivering long-term solutions to the problems of homelessness and social disadvantage.

Recommendation 10.8

The committee recommends that the HOME Advice scheme be expanded nationally to provide early intervention services for families at risk of homelessness. The scheme should be evaluated after five years, including a comprehensive economic evaluation, to ensure that the expanded programme continues to provide economic and social benefits to the community.

NOTED

The HOME Advice Program represents an important national level strategic partnership between an Australian Government department (Families, Housing, Community Services and Indigenous Affairs), an Australian Government agency (Centrelink) and non-government service providers. Currently, there are eight HOME Advice Program sites, one in each State and Territory.

An evaluation of the HOME Advice Program was undertaken in 2007. The Evaluation Report is published on the Department of Families, Community Services and Indigenous Affairs Internet site and can be viewed at: http://www.facsia.gov.au/home_report/

The Government's response to homelessness will be implemented through three strategies, one of which focuses on services intervening early to prevent homelessness. Prevention should focus on key transition points and life events. Under this strategy the providers will assist families at risk of homelessness to remain housed.

The States and Territories and the community as a whole will benefit from investing in prevention services as this will mean fewer people will need to access crisis accommodation. Savings could also be made in the long term in health, mental health and justice services.

COAG announced \$800 million under the National Partnership on Homelessness to implement the strategies in the White Paper. Under this agreement the states and territories will have flexibility to spend funding on initiatives to reduce homelessness. The HOME Advice program provides a good model for the states and territories to use for prevention.

Recommendation 10.9

The committee recommends that consideration is given to expanding referral pathways to the HOME Advice scheme to include financial institutions, so as to better capture low income mortgagees who may be at risk of becoming homeless.

AGREE

The White Paper identifies that people may be at risk of homelessness through financial instability and the burden of mortgages and other debts.

The White Paper emphasises the need for mainstream services to take responsibility for homelessness and to provide support and referrals to specialist assistance when needed. Under the National Partnership on Homelessness, states and territories are encouraged to strengthen the referral pathways for people to access support through adopting a 'no wrong door' policy for mainstream and specialist services.

HOME Advice is currently available to renters, in private or public housing, and to home buyers. Clients are not income tested – services are available to any family at risk of losing their housing. Clients may be referred by Centrelink, real estate agencies, housing services, other community services or may directly approach HOME Advice services for assistance. Assistance is provided for as long as is required and there is no charge to the client.

HOME Advice is tenure-neutral – it is available to both renters and home owners. HOME Advice services accept referrals from a variety of institutions, such as real estate agents and financial institutions, and self referrals. The only eligibility criteria is that the families' housing is at risk.

Recommendation 10.10

The committee recommends that the Australian Government encourage applications under the National Rental Affordability Scheme that would target the development of new affordable rental properties in areas of greatest need and/or for communities needing affordable housing for essential services workers.

AGREE

This is already being done. Applications must address five assessment criteria in order to qualify for NRAS incentives under the Scheme. Applications must demonstrate; the need for the proposal; how the proposal meets priority areas of interest; how the proposal will deliver accessibility and sustainability outcomes; that the Consortium or Organisation has demonstrated capacity and experience; and that the proposal is financially viable. The Government may include additional eligibility requirements and assessment criteria for the National Rental Affordability Scheme over time in order to give consideration to special needs (including particular locations, types of dwellings and characteristics of tenants). These may apply when the Government called for expressions of interest in later funding rounds of the National Rental Affordability Scheme. State, Territory and Local Governments are also able to offer additional incentives to attract investors and target specific markets.

Recommendation 10.11

The committee recommends that the Australian Government considers how community housing providers and housing cooperatives might be assisted to access funding under the National Rental Affordability Scheme.

AGREE

The Government contracted seven Partnership Facilitators to support the implementation of the National Rental Affordability Scheme (NRAS) by bringing together stakeholders that were interested in participating in NRAS. The Partnership Facilitators were engaged for Round One of NRAS and included two national Facilitators and five state-based Facilitators, with the South Australian based Facilitator covering the Northern Territory, the New South Wales based Facilitator covering the Australian Capital Territory and the Victorian based Facilitator covering Tasmania.

The Australian Government is providing approximately \$1.7million over two years to fund products, activities, resources and tools through the National Rental Affordability Scheme Enabling and Capacity Building Strategy. The NRAS Enabling and Capacity Building Strategy is designed to provide affordable housing providers with a clear understanding of the capability requirements to successfully participate in NRAS. The Strategy will assist organisations to realistically assess their capacity to become NRAS participants in the short to medium term. Indigenous, aged care, disability and smaller scale community housing providers, small scale developers and investors may also benefit from the Strategy. The Strategy includes:

- Financial modelling tools and other resources available to any interested applicants and partners in National Rental Affordability Scheme through a Business Development Clearinghouse; and.
- A series of workshops that will provide organisations considering NRAS with an understanding of the skills and infrastructure required to successfully participate in NRAS.

On 12 November 2008, the Treasurer announced a transitional safety net to cover charities looking to participate in the National Rental Affordability Scheme. This ensures that the charitable sector can participate fully in the Scheme by amending both charity and tax laws. The amendment means that the proposed participation of existing charities in the Establishment Phase of the National Rental Affordability Scheme will not affect their charitable status.

Recommendation 10.12

The committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs conduct a mid-implementation review of the National Rental Affordability Scheme in 2010 to assess the extent to which it is meeting its objectives.

AGREE

There is a commitment to review the Scheme in its early years to identify any scope for simplifying the Scheme, reducing the administrative burden on providers, or addressing

any evolving issues to ensure that it continues to meet its objectives in the most efficient way.

As a result of the review adjustments or revised settings may be necessary after the first few years of the Scheme's operation in the Expansion Phase (2010-2012). This is an important consideration because of the Government's announcement that a further 50,000 incentives may be offered over the following five years if demand remains high.

Recommendation 10.13

The committee recommends that the Australian Government examine the capacity of the community housing sector to operate as a provider of choice of affordable adaptable housing for people living with a disability, and investigate how it can support this sector to provide more units of appropriate housing.

AGREE

On 17 July 2008 Australia ratified the United Nations Convention on the Rights of Persons with Disabilities (the Convention). It came into force for Australia on 16 August 2008.

The promotion and development of universally design products is highlighted as one of the General Obligations in Article 4 of the UN Convention on the Rights of Persons with Disabilities.

The Convention aims to promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms for all persons with disability, and to promote respect for their inherent dignity. All levels of Australian Government now have an obligation to implement the Articles of the Convention.

The Government supports the Community Housing Sector, through initiatives such as the Victorian Government's *Build for Life* initiative, to become a provider of choice for affordable, adaptable housing.

Under the National Affordable Housing Agreement the States and Territories and the Commonwealth have committed to a range of ongoing reforms in the housing sector. One of the agreed reforms is to enhance the capacity and growth of the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework.

Recommendation 10.14

The committee recommends that the Australian, state and territory governments investigate options to encourage community housing associations to develop more housing to meet the future needs of an increasing number of older Australians for affordable and adaptable housing that supports 'ageing in place.'

NOTED

Refer to 10.13 above and to the initiatives which are included as part of the National Affordable Housing Agreement and associated partnership agreements.

The Government is aware that some community housing providers are already investing in housing projects that will support ageing in place and supports such initiatives. As an

example, the Benevolent Society's "Apartments for Life" project is an innovative housing option that will support older persons to remain in their chosen accommodation for the rest of their lives through health, community and other services being provided on site as needed. In addition, the apartments will include public space and other community facilities that support community engagement.

Recommendation 10.15

The committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs conduct an independent evaluation of alternative tenancy and ownership models, such as housing cooperatives, currently operating in or proposed for Australia or overseas, to assess their efficacy in providing secure and affordable housing in the Australian context. The evaluation should include a review of any legislative or administrative barriers to the introduction or expansion of such schemes in Australia. If the results of the evaluation indicate that there may be a role for alternative tenancy and ownership models in the Australian context, options should be developed for supporting and promoting uptake of such models.

NOTED

The Government supports tenancy models that operate to improve housing affordability and is aware that different models operate both within Australia and overseas.

Through the National Affordable Housing Agreement, all jurisdictions have committed to ongoing reforms in the housing sector including the enhancement and capacity building of the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework.

Development of reform in this area will require close examination of a variety of tenancy and home ownership models including regulatory and administrative barriers.

The Commonwealth and State and Territory Governments jointly fund the Australian Housing and Urban Research Institute (AHURI) to deliver priority research outcomes through its annual research agenda.

AHURI's examination of affordable housing models that draw on local and international experiences continue to provide a sound evidence base to inform the Government on affordable housing and social inclusion initiatives, especially for those on low incomes.

Recommendation 11.1

The committee recommends that the forward plans of the Australian, state and territory governments incorporate policies for mid-size regional cities to ensure they are better able to form sustainable communities, to cope with the transport impacts of peak oil and climate change, and to invest in infrastructure.

NOTED

The Government has established a Major Cities Unit which will provide advice to the Government on issues of relevance to urban development, particularly on productivity, sustainability and liveability issues, including urban congestion. The unit will also provide

an integrated and coordinated approach to urban policy development across the Commonwealth Government.

The Government will also bring this recommendation to the attention of the Local Government and Planning Ministers' Council (LGPMC), the Australian Transport Council (ATC) and the Regional Development Council (RDC) for their information and action as appropriate.