

Chapter 1

Introduction

1.1 In a wealthy country like Australia, no citizens should be forced into homelessness. A reasonable standard of housing should be achievable for all. A small number will need to be assisted with accommodation by governments or community organisations. Many will prefer rental accommodation for its flexibility or as a stepping stone to ownership. But it is likely that for the majority of Australians home ownership will remain their aspiration, and it should be an aspiration that through prudent management of their household finances they are able to realise.

1.2 Currently, this is not the case. There is a significant problem with housing affordability, albeit not as severe or widespread as some media reports suggest. For some families the lack of affordable housing represents a crisis. This is why the Senate appointed a select committee to investigate the issue of housing affordability.

1.3 This report sets out the facts, analyses the causes and discusses some remedies. In advocating a holistic approach to matching supply and demand, it is necessary to balance the interests of aspiring and existing homeowners in the gradual process of shifting the emphasis of government programmes (at all tiers) from measures that add to *demand* for housing to those which boost the *supply* of affordable housing. Some reforms will only take effect over decades.

Terms of reference

1.4 The terms of reference of the inquiry are as follows:

That a select committee, to be known as the Select Committee on Housing Affordability in Australia be established to inquire into and report upon:

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.

That the committee present its final report on or before 16 June 2008.

Conduct of the inquiry

1.5 The select committee was appointed by the Senate on 14 February 2008 and the inquiry was advertised nationally shortly thereafter. Submissions were requested by 31 March. Ultimately over 100 submissions were received. They are listed in Appendix 1 and are available on the committee's website: http://www.aph.gov.au/Senate/committee/hsaf_ctte/index.htm.

1.6 The committee thanks those who participated in the inquiry. It is especially grateful to those witnesses who appeared at hearings at short notice and travelled long distances. In particular, it thanks the Western Australian and ACT governments for appearing at public hearings to explain their activities, and regrets that other state governments chose not to appear and in some cases withdrew at the last minute. It also regrets that the federal Department of Families, Housing, Community Services and Indigenous Affairs did not put in a submission until two months after the closing date (and over three weeks after the public hearings had concluded).

1.7 The committee held public hearings in all mainland capitals, not just in the central business districts but also in outer suburbs such as Campbelltown and Narre Warren. It also went to the mining town of Karratha, where it saw first hand some of the most extreme cases of unaffordable housing. Hearings were also held in regional centres such as Ballina, Geelong and Launceston, and in the rapidly-growing area of the Queensland Gold Coast. (It regrets its aspiration to hold a hearing in Alice Springs was not realised.) The committee topped and tailed this programme with public hearings in Canberra. Appendix 2 lists the public hearings and witnesses.

Structure of the report

1.8 The importance of affordable housing, and home ownership in particular, is discussed in Chapter 2. The scale of the current problem is calibrated in Chapter 3. The major demand and supply factors underlying the current situation are described in Chapters 4 and 5. An important issue that arose in the committee's discussions about the supply of housing is concerns about insufficient diversity in new developments and this is the topic of Chapter 6. State and local government charges' influence on housing affordability is analysed in Chapter 7. Issues specific to particular regions, such as mining towns, are the province of Chapter 8. The report then turns to possible remedies, discussing current and planned measures to lift home ownership in Chapter 9, measures to provide more rental accommodation in Chapter 10 and longer-term approaches towards more affordable housing in Chapter 11. A glossary and list of abbreviations is provided to assist readers in Appendix 3.