

Chapter 8

Specific issues in particular areas

8.1 Most of the discussion in the preceding chapters applies generally across Australia. However, through its hearings, the committee became more aware of the specific housing problems faced in certain regions or types of location. This chapter discusses three areas with particular problems; mining towns, 'sea change' regions and western Sydney.¹

Mining towns

8.2 In recent years the resources boom has had a major impact on the affordability of housing in mining areas. A recent study found that one-third of the fifty suburbs that increased most in housing value over the year to January 2008 were located in regions dominated by nearby mining towns.² The affordability problem is particularly acute and presents special challenges specific to those areas. The committee held a public hearing in Karratha, in Western Australia's Pilbara region, on 7 April 2008, to hear about and see at first hand the housing conditions there.

The Pilbara region of Western Australia—a housing affordability crisis

8.3 The committee received a vast amount of evidence highlighting the dire circumstances faced by Karratha, and the Pilbara region in general, as a result of the housing affordability crisis. The Pilbara Area Consultative Committee believes 'the term "death by boom" is beginning to ring true for communities in the Pilbara region'.³ Councillor David Hipworth of the Pilbara Regional Council told the committee that:

...in Karratha the selling price for a modest four-bedroom, two-bathroom house is in excess of a million dollars with a rent return in excess of \$2,000 per week...some are still asking in the region of up to \$2,800 a week.⁴

8.4 Evidence was consistently provided that unless you work in the mining industry or for one of the few other employers providing subsidised accommodation⁵, you simply cannot afford to live in Karratha:

If you are a public servant here and you do not get your house as part of your package then you are not going to live here for longer than 10 minutes before you realise that you are going to go broke. I do not know how many

1 This is not to say there are not other pockets within Australia facing similar issues. However, these areas were of particular note in the context of the committee's deliberations.

2 T Lawless, 'Australia's top growth suburbs', *Eureka Report*, 14 April 2008.

3 Pilbara Area Consultative Committee, *Submission 93*, p. 9.

4 Cr David Hipworth, *Committee Hansard*, 7 April 2008, p. 11.

5 Or had bought there before the mining boom (resisting the temptation to sell up and move).

public servants could pay \$1,500 a week for a house—probably none. Small businesses are in the same boat.⁶

If you do not work for one of the big mining companies, you pretty much cannot afford to live here.⁷

8.5 As a result, charitable organisations, such as the women's refuge operated by the Salvation Army, rely largely on partners of people working in the mining industry who are provided with housing:

When we arrived I discovered I had no staff at the refuge because they could not afford to work at the refuge and pay for housing. My fortnightly pay would not cover one week's rent in Karratha. I had to look for staff whose husbands were working in the mining industry or whatever who had housing provided for them. My staff all have husbands who are working who have a house provided by the employer.⁸

8.6 Non-government organisations and small to medium sized businesses also find it difficult to attract and retain staff:

There is a childcare centre in Hedland at the moment which is struggling and just about ready to fall over because it cannot attract and retain childcare workers. It is going to create a problem in the workforce area.⁹

You just cannot get staff, so consequently you are not expanding any business in the area because the owners can only work so long and without staff they just have to work the business.¹⁰

8.7 In April 2007, the Karratha and Districts Chamber of Commerce and Industry carried out a survey of small to medium sized business members on accommodation requirements in the Shire of Roebourne. They found that in excess of 2000 beds were required immediately for permanent workers in those businesses.¹¹

8.8 The lack of affordable housing in the Pilbara has created a vicious circle where it is hard to get builders to come to the region to build housing because they cannot afford to live in Pilbara due to high housing costs:

We had a situation recently where you could not get builders here because the builders could not get accommodation built for the builders. It was silly. It was a cyclic situation.¹²

6 The Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, p. 9.

7 Cr B Snell, *Committee Hansard*, 7 April 2008, p. 12.

8 Mrs P Brook, *Committee Hansard*, 7 April 2008, p. 46.

9 Mr B Neville, *Committee Hansard*, 7 April 2008, p. 21.

10 Mrs L Cooper, *Committee Hansard*, 7 April 2008, p. 26.

11 Pilbara Area Consultative Committee, *Submission 93*, p. 7.

12 Mr G Slee, *Committee Hansard*, 7 April 2008, p. 59.

8.9 The committee also received evidence that the lack of affordable housing in Karratha is so acute that people are forced to live in cars, tents or illegal accommodation:

People are sleeping in cars; they are sleeping in tents. You often go up Radio Hill and find people who have spent the night there; they cannot afford to live in any housing in the town. We need to look after those people ... As I say, I have a lot of young staff. One of their friends actually sleeps in the laundry of a house because that is all they can afford, and they are paying about \$350 a week for that.¹³

So, in 40- to 50-degree temperatures in the middle of summer, you are living in a tent.¹⁴

We have—and you have probably heard of this—people living in the bush, people hot bedding and people bed packing in houses, which is four or five couples living in a four-bedroom house. The current rent for a bedroom is \$350 a week-plus. We have illegal accommodation in backyards, on industrial blocks and things like that, with the shire turning a blind eye to it. At this stage, they have no choice, unfortunately. It has to happen because they just cannot get the accommodation.¹⁵

8.10 The Pilbara Community Legal Service suggests that 'the lack of affordability of housing has seen an increase in our client base that includes not only the unemployed but also those in employment who are struggling financially due to their efforts to pay high rentals or mortgages'.¹⁶

8.11 In short, the housing affordability crisis is making it impossible for Pilbara towns to be 'normal', sustainable communities:

I can tell you that nothing guts me more than youngsters not being able to afford houses here, because you cannot build your community.¹⁷

We should be making sure the young people stay, build a community and bring up their families.¹⁸

Demand

8.12 The demand for housing in the Pilbara in the context of the mining boom has been unprecedented. The committee received evidence that mining companies' demand for housing is the major cause of the affordability crisis in the region:

13 Mrs L Cooper, *Committee Hansard*, 7 April 2008, pp 26 & 27.

14 Mr W Brook, *Committee Hansard*, 7 April 2008, p. 47.

15 Ms G Jacob, *Committee Hansard*, 7 April 2008, p. 55.

16 Pilbara Community Legal Service, *Submission 92*, p. 1.

17 Cr D Hipworth, *Committee Hansard*, 7 April 2008, p. 16.

18 Mrs L Cooper, *Committee Hansard*, 7 April 2008, p. 28.

Personally, I like Karratha, not because it is a mining town but because it has great fishing and great coastal views, if you get out there amongst the mangroves. It is a great place to live. I like the heat. I am one of those strange people! There is a lot more going for Karratha than the mines, and yet the mining companies seem to dictate the terms of living in Karratha. They call the shots about pricing. Private people try and buy a home, and they are outbid by a mining company with unlimited resources so that it can provide accommodation for its staff. So the private sector has no opportunity to compete against the mines, which are here, supposedly, for 50 years at most and then gone, and then the whole structure of the town falls in a heap.¹⁹

8.13 The committee was told that 80 per cent of the dwellings in Karratha are now owned by large mining companies.²⁰ Even so there has been an increase in the fly-in fly-out workforce in the region that has caused problems in itself:

With an increase in FIFO, the family members that used to work in small businesses are not here anymore, so it is a catch 22.²¹

It is fine to have the FIFO and it is fine to have them spend their funds in this town. I support the resource companies because that is what they have to do. The only way they can actually get ahead is to fly people in from elsewhere...It totally killed all those volunteers who would come down and make sandwiches for the local rugby game or who would turn out to help you out at your scouts association. People do not have the time now.²²

8.14 The committee also heard evidence that property owners are taking advantage of mining companies' demand for housing thereby pushing out residents who are not working in the mining sector:

What happened there is typical of what happened in Hedland and across here in Karratha as well: the owner of the property, after being contacted by the real estate agent, requested vacant possession of the property, which you are allowed to do. You give the required notice, you take vacant possession of the property, you spend a few thousand dollars on that property to refurbish it and you lease it out to a mining company or to one of the contractors for about two to three times as much. And that is what has occurred in South Hedland over the last two years and was what created the homelessness situation that we have around the Pilbara, particularly in Hedland.²³

8.15 In short, demand has massively outstripped supply because there is simply not enough housing available in the current boom environment:

19 Mr W Brook, *Committee Hansard*, 7 April 2008, p. 48.

20 Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, p. 9.

21 Cr B Snell, *Committee Hansard*, 7 April 2008, p. 13.

22 Cr D Hipworth, *Committee Hansard*, 7 April 2008, p. 16.

23 Mr B Neville, *Committee Hansard*, 7 April 2008, pp 19–20.

Up here, the problem major resource companies have is the availability of accommodation; it is not affordability. For everybody else, it is both availability and affordability. That is where the difference is. Of course, it has really been driven by the resource companies who have the dollars to drive it. I am not blaming them for it; that is just the reality of a life.²⁴

Land supply

8.16 Many submitters to the inquiry saw the slow rate of supply of zoned land as a major contributing factor to the current housing affordability crisis in Karratha and the Pilbara region in general.

8.17 The supply of residential land in Karratha is the responsibility of LandCorp, the state government's land and property developer. For some years, there has been a shortage of land for housing, attributed variously to the mining-related surge in demand, the native title clearance process and the failure of the state government land developer to release land.

8.18 The committee heard from the local state member, the Hon. Fred Riebeling MLA, that following native title clearance:

[t]he state is in the process of releasing as much land as possible. The problem with releasing more and more land is the capacity of industry to build houses on that land. The availability of land will continue to be flowed out until such time as the demand is no longer. It is really now a question of how quickly houses can be put on top of that particular land.²⁵

8.19 Land developers as a group have an incentive to release land gradually (not to 'flood the market') so as to keep prices up, but competitive pressures may render this difficult. This issue is discussed in general in Chapter 5. A specific policy problem occurs, however, when the sole land developer is a government-owned monopoly. This is the situation in Western Australia where LandCorp—the state government's land and property developer—has been accused of withholding land for residential development in the Pilbara region.

8.20 While the committee takes issue with LandCorp's role in the slow release of land in Karratha, it acknowledges the agency's claim that it has developed 600 dwellings in the past two years and has another 800 in the approval planning phase.²⁶

8.21 Mr Robert Neville, Chairperson of the Pilbara Association of Non-Government Organisations, was asked whether earlier release of land by the state government could have assisted housing affordability in the Pilbara region. His response was blunt:

24 Mr G Slee, *Committee Hansard*, 7 April 2008, p. 56.

25 The Hon. F Riebeling, *Committee Hansard*, 7 April 2008, p. 3.

26 Mr M Moloney, LandCorp, *Committee Hansard*, 7 April 2008, p. 65.

...most definitely. It might stick in somebody's ears to hear it, but in my view LandCorp is a cash cow for the state government and they purposefully did not release land in places like South Hedland any earlier because they were waiting for the prices to push up...It is there to make money for the state government. It is not there to service the community, and servicing our communities is what it should all be about. You have to service the community.²⁷

8.22 Dr Steven Rowley from the Curtin University of Technology asked why a state-owned agency with a monopoly on land development in Karratha should sell its land at market rates to make a profit. He asked:

Wouldn't it be fantastic to get some evidence from LandCorp about just how much it costs to bring a lot onto the market? At the moment we do not really know how much they are taking in terms of profit for individual lots. Obviously the profit taking has a substantial impact on the price that local residents have to pay for that land...I find it a very strange situation where an organisation is responsible for providing land and is tied to government and has to make market levels of profit. They do provide something like 10 per cent of their new land release to the Department of Housing and Works for housing, but they sell that land to that organisation at market levels, which again is something I fail to understand completely.²⁸

8.23 The Real Estate Institute of Western Australia offered LandCorp qualified support. It argued that state government land development agencies have an important role to play in developing Crown Estate in remote areas. However, REIWA identified a conflict of interest in these agencies delivering affordability on the one hand while seeking to maximise their commercial returns on the other.²⁹

8.24 Speaking in his organisation's defence, LandCorp's Mr Michael Moloney told the committee that the extent of the surge in demand for housing related to the mining boom was unexpected. He also cited native title and environmental planning delays that stalled the land development process:

I can understand the frustration of people living in Karratha as to the supply of land. However, I think it is clear that, whilst there has been a lot of talk about activity happening in this region, nobody expected the level of current activity to occur...The flow-on from that has been the huge capacity constraints that have occurred. Everyone, whether they be in the private sector or the public sector, has found it extremely hard to get resources into the regions....To actually get town planning scheme amendments and so forth underway you have to undertake flora and fauna surveys on the site. Until the native title agreements are in place you cannot do that. So there is

27 Mr R Neville, *Committee Hansard*, 7 April 2008, p. 24.

28 Dr S Rowley, *Committee Hansard*, 8 April 2008, p. 46.

29 Real Estate Institute of Western Australia, *Submission 53*, p. 4.

a certain amount of process that you need to go through to actually develop the land.³⁰

8.25 The committee finds these explanations inadequate and believes that LandCorp should have done more forward planning. As Mr Barry Haase, the federal member for Kalgoorlie, told the committee:

I do believe that there were many quite genuine limitations to LandCorp making the preparation they ought to have made and, yes, there was a skills shortage for that particular sort of work. But, when those two problems were considered, instead of being an impetus to fix that problem and land bank land, it was accepted that the status quo could be maintained, that the problem would surely go away, that maybe the resource companies were exaggerating the potential for increased markets anyhow and that maybe they would not get caught. They got caught—big time.³¹

8.26 It also seems that more might have been done to prepare for native title issues. Mr Haase told the committee that the prospect of native title claims were 'well understood' in Karratha because of Woodside's activities and that 'it is almost assured that the courts will be involved anywhere there is resource development'. However:

...no-one knew what the pitfalls were in addressing native title. Every decision made was almost automatically challenged through the courts. The whole process was protracted again and again.³²

Recommendation 8.1

8.27 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.

Recommendation 8.2

8.28 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'.

Possible solutions

8.29 The committee consistently heard evidence that there is no single solution to housing affordability problems in the Pilbara. Any response to this crisis will need to be multifaceted. As Councillor Bradley Snell of the Pilbara Regional Council noted:

It is pretty obvious that, if the solutions were simple, the problems would have been solved. There are a whole raft of issues that are all interrelated

30 Mr M Moloney, *Committee Hansard*, 7 April 2008, pp 63, 66.

31 Mr B Haase MP, *Committee Hansard*, 7 April 2008, p. 42.

32 Mr B Haase MP, *Committee Hansard*, 7 April 2008, p. 43.

and that change and affect each other, and the situation is always very fluid.³³

Improving land release

8.30 As highlighted above, many submitters to the inquiry saw the slow supply of developable land as a major contributing factor to the housing affordability crisis in Karratha and the Pilbara region in general. Improving land release in the future has therefore been raised as important to improving the affordability of housing in the Pilbara:

What we really need to do is to move to an environment where we can have land banks that are readily accessible and can be released quickly to compensate for any changes in the business economy. That is one of the weaknesses we had here which got us into trouble across the Pilbara. We are now working very closely with industry and with the state government to create a settlement strategy, which has already identified where we need to have future land, and we probably should have had that available right at the very beginning. I would say to the committee that that is probably one of the recommendations—that the state governments get these settlement strategies, work out where they need to have land and have it prepared and readily available to compensate.³⁴

8.31 Similarly, Mr Barry Haase MP told the committee that 'it is not too late for LandCorp to really get about the business of making sure that native title land is cleared and made ready for development.'³⁵

Increased funding for public housing

8.32 The Pilbara Regional Council highlighted a feeling within Pilbara communities that the region is not getting its fair share of government funding, or even what is required to address the effect of the boom on Pilbara communities:

... despite the often referred to resource and construction booms in the Pilbara, the Commonwealth's, State's and Industry's investment in housing stocks and community infrastructure has not been commensurate with that needed to support the expansion and sustainment of the mineral and petroleum sectors, or community growth.³⁶

It is fantastic the country can enjoy the benefits that come with the boom but due to a lack of affordable housing in the region locals are unable to enjoy the boom.³⁷

33 Cr B Snell, *Committee Hansard*, 7 April 2008, p. 17.

34 Mr A Ellson, *Committee Hansard*, 7 April 2008, pp 16–17.

35 Mr B Haase MP, *Committee Hansard*, 7 April 2008, p. 41.

36 Pilbara Regional Council, *Submission 96*, p. 2.

37 Real Estate Institute of Western Australia – Pilbara Division, *Submission 94*, p. 1.

8.33 Mrs Leann Cooper also saw a role for government in providing housing for low-income workers in Karratha: '...the state and federal governments should be involved in having more availability of affordable state housing for the low-income workers who do not get houses supplied with their work.'³⁸

8.34 The Hon Fred Riebeling MLA, the local state member, concluded his evidence to the committee by stating: 'I hope your deliberations lead to me being able to announce ICEHA being reopened!'³⁹ The ICEHA was established under the *Industrial and Commercial Employees' Housing Act 1973* (WA). Mr Riebeling described it as:

... a Commonwealth funded system that was developed in the mid-eighties. I think there were about 160 ICEHA homes built in Karratha. They were particularly directed at small business people. They could be allocated ICEHA homes and they would rent those homes to their employees ... It was a great system that responded to small business needs ... The Commonwealth can contribute, if it is possible to reintroduce that system, by putting money into that.⁴⁰

8.35 As such, Mr Riebeling saw the reintroduction of ICEHA as a potential solution to the problem non-government organisations and small businesses have in attracting and retaining staff because otherwise potential employees are unable to afford to live in Karratha.⁴¹

8.36 The Pilbara Association of Non-Government Organisations (PANGO) called for the state government to make a number of changes to how public housing is allocated and managed in the region which would require an increase in funding for public housing. Specifically, PANGO suggested that the Western Australian Government:

- allocate a percentage of Government Regional Officers' Housing to non-government organisations;
- allocate on a peppercorn lease the refurbished units in Brown Place, South Hedland, to non-government organisations;
- seriously review the eligibility scales for public housing in the Pilbara with a proposed increase of at least 25 per cent on the existing income eligibility levels; and
- guarantee security of tenure for those tenants currently in public housing and outside the eligibility limit.⁴²

38 Mrs L Cooper, *Committee Hansard*, 7 April 2008, p. 26.

39 Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, p. 9.

40 Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, pp 3–4.

41 Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, p. 9.

42 Pilbara Association of Non Government Organisations, *Submission 95*, p. 3.

Plans to establish a regional community housing association in the Pilbara

The Pilbara Association of Non-Government Organisations is currently looking to establish a not-for-profit community housing association. The Chairman of the Association, Mr Bob Neville, told the committee it will request from the state government 50 to 60 lots of land to 'kick-start' the community housing association in the Pilbara region. The aim is to have the association operated through an established Hedland-based local Indigenous housing association.¹

The Western Australian Department of Industry and Resources recently engaged Stamfords Advisors Consultants to undertake a feasibility study for affordable rental property in Port Hedland. Stamfords found 'a severe need for affordable rental housing for those who are unable to obtain housing in either the private or public markets'.

Stamfords recommended a not-for-profit housing company as the most appropriate model to increase the supply of affordable rental housing. The company would set rents at a percentage of incomes and at below market rates and tenants would be eligible to receive Commonwealth Rental Assistance.

This model would not be commercially viable without state support. Stamfords argued that the company would need to be supported by a grant of land assets from the state free of charge, which would be returned to the state at the completion of the project. It also suggested tax deductible donations from the private sector and a \$5 million loan from the State to be repaid over 20 years.

Sources: Mr B Neville, *Committee Hansard*, 7 April 2008, p. 22. Stamfords, 'Feasibility study for affordable rental property in the town of Port Hedland', March 2008, pp. 4-6.

Recommendation 8.3

8.37 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.

Changes to local government funding arrangements

8.38 Local governments in Western Australia are unable to rate properly resources companies operating under pre-2005 State Agreement Acts.⁴³ Councillor David Hipworth of the Pilbara Regional Council told the committee that as a result of this those people who choose to live in the Pilbara:

...have to pay higher rates and charges to offset the maintenance and renewal costs incurred from resources companies accessing and using Pilbara's community infrastructure, because these companies cannot be properly rated. The royalties and rents being paid by the resources

43 Pilbara Regional Council, *Submission 96*, p. 4.

companies end up in the Commonwealth and state coffers, with very little being returned to local governments for service and asset maintenance, renewals and development.⁴⁴

8.39 Furthermore, without adequate funding local governments are unable to process development applications quickly, thereby exacerbating the housing shortages. Ms Gloria Jacob suggested that staff should be seconded to the region to assist with planning 'because the shires do not have the staff resources to process those [development applications]—it is not that they are slow; they just do not have the people on the ground to do that'.⁴⁵

Changes to fringe benefits tax and zone allowances

8.40 Councillor Bradley Snell of the Pilbara Regional Council suggested that changes to the Fringe Benefits Tax and Zone Allowances could assist in making housing more affordable in the Pilbara:

... what we would like to see is changes to the rules concerning fringe benefits tax and zone allowances to encourage mining operations to set up houses permanently in the town, because that will also help with attracting other people—making our towns more normalised instead of just big camps.⁴⁶

8.41 Similarly, Professor Fiona Haslam McKenzie, Director of the Housing and Urban Research Institute of Western Australia noted that:

The zone benefits have not really changed for the best part of 15 years, and the cost of living in a remote community is very difficult for people living in a metropolitan environment to fully understand. So I think zone allowances do need to be addressed. I think they would go some way to attracting people into the community.⁴⁷

8.42 The Pilbara Regional Council suggested that the zone allowance should be doubled and noted that this would 'provide immediate fiscal relief to many people in urgent need of assistance'.⁴⁸

8.43 Mrs Leann Cooper, President of the Karratha and Districts Chamber of Commerce, also called for changes to the Fringe Benefits Tax and noted that:

Years ago you had tax relief for having your staff here. A lot of that has gone as well... They just put on these taxes that inhibit you giving your staff these benefits.⁴⁹

44 Cr D Hipworth, *Committee Hansard*, 7 April 2008, p. 12.

45 Ms G Jacob, *Committee Hansard*, 7 April 2008, p. 60.

46 Cr B Snell, Pilbara Regional Council, *Committee Hansard*, 7 April 2008, p. 13.

47 Professor F McKenzie, *Committee Hansard*, 8 April 2008, p. 50.

48 Pilbara Regional Council, *Submission 96a*, p. 3.

An increased diversity of housing options in the Pilbara

8.44 The committee noted when it was in Karratha that there was a decided lack of diversity in the housing stock there. This was reflected in evidence provided to the committee:

One of the main things we have been working on with the state government is to produce some housing that people can afford. A lot of the houses that are being built here now—and I am sure it is the same in Port Hedland, Newman and a lot of the areas in the north-west—are huge houses. They have four bedrooms and two bathrooms and are massive. We do not want that sort of house. We would be quite happy with units that have two bedrooms and one bathroom.⁵⁰

8.45 Senator Alan Eggleston has offered the following suggestion:

Rather than developing single homes on single blocks, particularly given the shortage of land, high-rise apartments should be considered as they would provide accommodation for a large number of people. For years there has been such a high-rise development in South Hedland, but more are needed.⁵¹

8.46 As a temporary measure to address the immediate shortage of housing for workers in the Pilbara it has been suggested that 'seatainer accommodation' be considered as an option. Mr Barry Haase MP, Federal Member for Kalgoorlie, described seatainer accommodation as:

stackable self-contained units that are the equivalent of a seatainer in size. Landed at about \$12,000 and made available at some \$25,000, they are sadly the most readily available solution to local accommodation problems. I am pleased to report that local government is positively considering an application for that style of accommodation to be made available in Karratha. But the wags, the media commentators and the cartoonists have had a great deal of fun with the idea of employees living in seatainers, albeit they are very well appointed and air-conditioned and have all the mod cons.⁵²

8.47 Similarly, Mr Gary Slee told the committee that:

A lot more buildings are being brought out from overseas—from Thailand, China and so forth—and those particular buildings are substantially cheaper than trying to build up here; in other words, you are designing it for trades, completely. If you could also have land that was very affordable, cheap land, you could then put these cheaper houses on that, and you could probably solve the affordability issue to a great extent. But it would have to

49 Mrs L Cooper, *Committee Hansard*, 7 April 2008, p. 30.

50 Mrs L Cooper, *Committee Hansard*, 7 April 2008, p. 28.

51 Senator A Eggleston, *Senate Hansard*, 13 May 2008, p. 1568.

52 Mr B Haase MP, *House of Representatives Hansard*, 12 February 2007, p. 88.

be some sort of community operation rather than a private enterprise one, strictly. That is the way it is being done now—bringing those houses in from overseas at a much cheaper rate.⁵³

8.48 The Hon Fred Riebeling MLA also suggested that the 'benefits of those single men's camps should not be underestimated'.⁵⁴

A coordinated response

8.49 As noted above, the housing affordability problem in the Pilbara is multifaceted and it will require a coordinated response. It was suggested to the committee that the region needs an 'emergency intervention':

...a leader to come in...Send somebody here who can make things happen.⁵⁵

I would suggest that as simplistic as this suggestion is, to convene a meeting of people who have the authority to make decisions at the table, people at the table who will make a financial and operational commitment, then things could move forward in a coordinated approach, would provide an answer to a situation that is spiralling out of control. Agencies (at all three tiers) appear paralysed by the enormity of the situation therefore do nothing or provide small investments funds in an ad hoc manner which achieves little.⁵⁶

Recommendation 8.4

8.50 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.

Recommendation 8.5

8.51 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.

53 Mr G Slee, *Committee Hansard*, 7 April 2008, p. 59.

54 Hon F Riebeling MLA, *Committee Hansard*, 7 April 2008, p. 5.

55 Ms G Jacob, *Committee Hansard*, 7 April 2008, p. 59.

56 Pilbara Area Consultative Committee, *Submission 93*, p. 11.

The need to learn lessons

8.52 There are other areas in Australia, notably Roxby Downs in South Australia, which some fear could soon face similar problems to Karratha. It is important that lessons are learned from the experiences of the current resource boom-related expansion.

'Sea change' regions

8.53 Housing affordability can also be low in the 'sea change' regions of Australia. These are coastal areas outside the capital cities attracting an influx of professionals seeking a more relaxed lifestyle. Improved telecommunications facilities often make it easier for professionals to work from these areas and further increase their appeal.⁵⁷ As the new arrivals are generally selling properties near the centre of capital cities, they are often in a position to bid up prices in these coastal towns to levels that existing residents cannot match.

8.54 The eponymous television series from which the term 'sea change' is derived was set on the Great Ocean Road in Victoria. During this inquiry, the Gold Coast City Council described themselves as a 'sea change' region, as did the contiguous regions in northern New South Wales.⁵⁸ South Australia has 'sea change' areas such as Victor Harbour and the south coast.⁵⁹ In Western Australia, improved transport links to Perth have made Mandurah something of a sea change region, helping make it the fastest-growing region in Australia and one of the most unaffordable in the world.⁶⁰

8.55 A 2005 report by the Planning Research Centre at the University of Sydney identified five different typologies of communities affected by sea change. They are: coastal towns on the edge of capital cities such as Gosford in New South Wales and Casey in Victoria; small to medium coastal towns within three hours drive of a capital city such as Bunbury and Busselton in Western Australia; coastal cities with populations of more than 100,000 including Newcastle and Cairns; tourism and leisure communities such as Byron Bay and Whitsunday; and small remote coastal communities surrounded by protected natural areas such as Robe and Grant in South Australia.⁶¹ The report notes that the major drivers of population growth in these coastal regions are of working age—younger than 50.

8.56 Growth in sea change areas is associated with new jobs in lower paid occupations such as retail, restaurants and tourism.⁶² A problem arises if the new

57 See Marshall et al (2003, p. 6).

58 Ms C McCool, Gold Coast City Council, *Committee Hansard*, 15 April 2008, p. 2; Ballina City Council, *Submission 76*; Hon C Cusack MLC, *Submission 91*.

59 UDIA (SA), *Submission 20*.

60 Salt (2005, p. 11); Demographia (2008).

61 Gurran, Squires and Blakely (2005, pp 4–6).

62 Gurran, Squires and Blakely (2005, pp 2–3).

arrivals displace established but lower-skilled workers who find themselves no longer able to afford housing in the region. In this context, the Northern Rivers Social Development Council drew the committee's attention to perhaps the most iconic of Australia's sea change regions:

Think of Byron Bay: it is a community where there are some extraordinarily rich people, but the average income ...is around 60 per cent of the New South Wales average. Public housing stock in Byron Bay is three per cent of rental stock; it is one of the lowest...in the state. The economy ... is absolutely dependent on low-priced labour particularly in the hospitality sector and the arts but across the whole economy. People cannot afford to live in Byron shire and work there, so there is incredible difficulty in attracting and retaining the type of young, entrepreneurial, upwardly mobile workers that that economy requires...Many workers in that economy—and it is not that different for Tweed or Lismore—need affordable rental accommodation to have somewhere secure and safe to live and also to be able to generate the excess income necessary to save a deposit and move into home ownership.⁶³

8.57 Their suggested solution is improving the stock of rental housing. This should be provided by a non-profit community housing organisation or a consortium of regional councils rather than a government-run public housing agency. The focus must be on ensuring that low income workers that are essential to the regional economy are adequately and affordably housed:

In some ways it is a return to the situation post World War II, where there was an acute shortage of housing for workers. That is what generated the initial investment by government in public housing; it was because there was a crisis such as this. There was a shortage of housing stock fundamentally, and an initiative was brought in by government—and indeed supported by governments of both persuasions—that over a period of 20 years or so addressed that demand for affordable housing.⁶⁴

Ballina

8.58 As well as working professionals seeking a less stressed lifestyle, some 'sea change' destinations are attracting significant numbers of retirees. This is leading some of the regions to face the issues of an ageing population before the rest of the country. The 2005 Planning Research Centre report noted that:

[A]s the baby-boomer generation is expected to start retiring later this decade, the number of retirees moving to the coast is likely to rise again, contributing to an overall increase in the rate of population growth in these places.⁶⁵

63 Mr T Davies, *Committee Hansard*, 15 April 2008, p. 21.

64 Mr T Davies, *Committee Hansard*, 15 April 2008, p. 22.

65 Gurrán, Squires and Blakely (2005, p. 2).

8.59 The committee held a public hearing in Ballina on the New South Wales north coast, where the majority of population growth from 2001–2006 has occurred in the over 50 age groups. Ballina's average house price has increased from \$178 000 in 2001 to \$369 000 in 2006. In 2006, the Ballina Shire's median weekly household income was just \$779, compared with \$1027 nationally.⁶⁶ The Ballina Shire Council told the committee that the shire:

...is currently experiencing acute housing stress, with many low-income earners and first home buyers largely priced out of the housing market. The New South Wales Department of Housing, through its Centre for Affordable Housing, provided us with statistics that state that 79 per cent of very low income households in Ballina are currently under home purchase stress. In the June quarter of 2007, the Department of Housing estimated that there were no dwellings available for purchase to very low income households.⁶⁷

8.60 The Council identified the major obstacle to improving housing affordability as the inefficiency and complexity of planning process. It cited several specific impediments, including delays in obtaining development consent due to the state government, disputes between the landholder and developers, and delays relating to the financial arrangements of developers.⁶⁸

Western Sydney

8.61 The challenge of releasing more land on the urban outskirts of capital cities is discussed in Chapter 5. While the capital cities faces broadly similar planning and land supply issues, the case of western Sydney is of particular note. Over the past decade the suburbs of western Sydney have experienced a more pronounced increase and subsequent fall in house price than in most other parts of Australia.

8.62 The western Sydney region has eight of the ten national postcode areas with the highest rates of arrears on home loans.⁶⁹ This follows from the unusually high degree of mortgage stress there. Chart 8.1 shows that based on 2006 Census data, the regions of west and south-west Sydney recorded the highest proportion of owner-occupier households with debt-servicing ratios over 30 per cent.

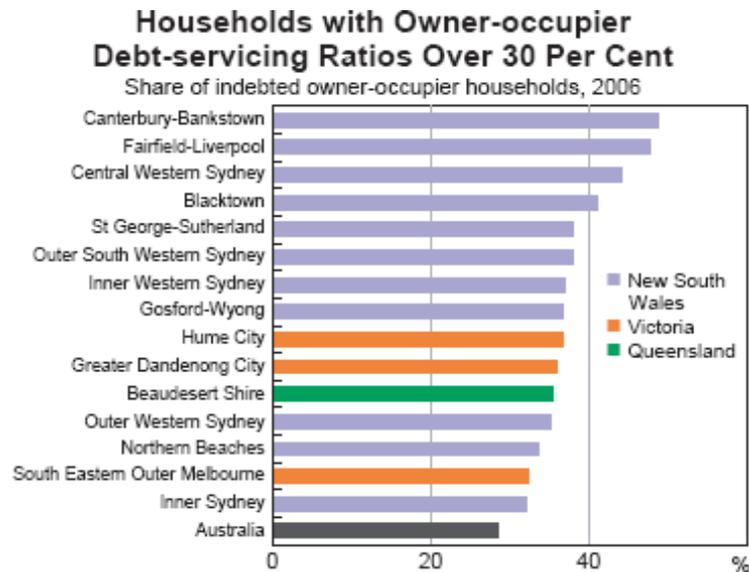
66 Ballina Shire Council, *Submission 72*, p. 2.

67 Mr R Kenk, *Committee Hansard*, 15 April 2008, p. 2.

68 Ballina Shire Council, *Submission 72*, p. 1.

69 A study by Fitch Ratings cited in *The Age*, 30 May 2008, p. 7. This point was also made by the Reserve Bank; *Proof Committee Hansard*, 24 April 2008, p. 9.

Chart 8.1



Source: Reserve Bank of Australia, *Financial Stability Review*, September 2007, p. 46, based on ABS census data.

8.63 The chart accords with local information. Mrs Sharon Fingland, Assistant Director of the Western Sydney Regional Organisation of Councils (WSROC), told the committee that a high proportion of communities in western Sydney are experiencing housing stress. She explained:

That is due to the region's population and economic structure combined with its rapid rate of development. Western Sydney contains many areas with concentrations of overseas-born people who have poor English-speaking skills, and there is a high proportion of low-income earners and very young families. Parts of the region also experience high unemployment and low employment participation rates, including amongst those living in public housing as well as those who are in the private rental market. And those in the private rental market actually have more limited welfare support.

As a result, we are concerned that the region is becoming much more divided and polarised and that this is exacerbated by growing social diversity. For example, many of our communities are concentrated in the older suburbs, often in areas that have little public housing, with limited and increasingly obsolescent infrastructure. And the proportion of wealthier families is increasing in the outer suburbs. So we are having a shift between our outer and our inner suburbs. However, even in the newer, wealthier suburbs, people are suffering the impacts resulting from higher interest rates and the previous government's taxation policies.⁷⁰

70 Mrs S Fingland, *Committee Hansard*, 3 April 2008, pp. 13–14.

8.64 Mrs Fingland also attributed the growing divide in western Sydney to the supply of rental housing. She told the committee that 'quite vast tracts' of western Sydney are dominated by private rental housing. Those in this housing are of a similar demographic to people in public housing but they do not receive the welfare support.⁷¹

8.65 Mr Colin Berryman, a Program Coordinator for WSROC, highlighted three particular aspects of the housing affordability problem as it relates to western Sydney. First, the percentage increase in housing sale prices and costs was greater in many areas of western Sydney than in other parts of the city. Second, the areas that were traditionally the lower cost areas increased their housing costs at a greater rate than other areas. Third, the decrease in median house prices at the end of the period 2004-2006 was larger in western Sydney than for Sydney as a whole.⁷²

8.66 The committee acknowledges that many households in western Sydney are highly geared, making them more susceptible to default in the event of higher interest rates or an economic downturn. The higher price of food and fuel will add to the financial pressures on many households.⁷³

8.67 The Deputy Governor of the Reserve Bank also commented that the financial positions of households are particularly tight in some regions of western Sydney. He offered the following reasons:

the rise in house prices and the associated increase in turnover came later in this region than in the rest of Sydney, and the increase in house prices ended up being much larger. An implication of this is that a higher proportion of households in this region bought towards the peak of the market. Second, income growth in this part of Sydney is substantially slower than in other parts of Sydney and Australia. In other words, the rise in house prices in Western Sydney was less well supported by income growth than in other parts of Australia. Third, a disproportionately large share of the housing loans in this region were sourced from non-bank lenders, which I think might imply that a smaller proportion of borrowers in this region were able to meet the lending criteria of the major banks.⁷⁴

8.68 This last point is illustrated by Table 8.1.

71 Mrs S Fingland, *Committee Hansard*, 3 April 2008, p. 17.

72 Mr C Berryman, *Committee Hansard*, 2 April 2008, pp. 14–15.

73 Mrs S Fingland, *Committee Hansard*, 3 April 2008, p. 14.

74 Mr R Battellino, *Proof Committee Hansard*, 24 April 2008, p. 9.

Table 8.1: Owner-occupier housing loans: per cent by mortgage originators (2006)

Blacktown	21
Canterbury-Bankstown	23
Central Western Sydney	22
Fairfield-Liverpool	24
Inner Western Sydney	19
Outer South Western Sydney	20
Outer Western Sydney	19
<i>Rest of Sydney</i>	<i>16</i>
<i>Australia</i>	<i>11</i>

Sources: ABS, Perpetual, RBA

Conclusion

8.69 This chapter has identified three areas of Australia experiencing particularly acute housing affordability problems. Karratha, a booming mining town in Western Australia's Pilbara region, is suffering from an extreme shortage of housing demanding urgent action. Those who do not enjoy mining wages are essentially locked out of both the home purchase and the rental markets. Ballina, on the northern coast of New South Wales, also has a shortage of available land for housing. The town continues to attract retirees and its many low income earners have been priced out of the housing market. The suburbs of western Sydney are a striking microcosm of the housing affordability crisis nationally. They are highly geared, on relatively low incomes, and are disproportionately represented among those areas suffering mortgage stress and falling behind on home loan repayments.

