Hon **Catherine Cusack** BEc(Soc Sc) MLC
Country North Liberal

15 April 2008

Senator Marise Payne
Chair, Australian Senate Inquiry
Affordable Housing
Parliament House
Canberra 2600

I thank the Committee for holding today's hearing in Ballina. We are a Seachange Community and there is a strong perception that the needs of our area are being overlooked in the State and National debates on affordable housing.

I was disappointed but not surprised to learn of the NSW Government decision not to co-operate with this important Inquiry. I can advise the Committee this refusal to plan and work co-operatively is not unique to the Australian Senate. The State Government is in a seemingly permanent state of war the entire spectrum of local Councils in New South Wales; over issues of funding, planning and infrastructure and this has contributed significantly to the current Housing crisis. The State Government is at odds with the construction industry who repeatedly point out the structure of levies and taxes add between $80,000 to $100,000 per home and this has led to a flight of investor capital from the NSW housing construction market. The shortage of supply is the inevitable consequence of squeezing the construction sector too hard.

The Government is also unco-operative with the NSW Parliament. As a Member of Legislative Council Estimates Committees I have been astounded at the lengths the Government will go to in order to withhold data funded by tenants bond money, from the Parliament and the public.

For example last year a request was made by the Parliamentary Committee for an actuarial report conducted by Finty Consulting reviewing the performance of the NSW Rental Bond Board. This report gives important factual data about trends in tenancy and rents. It is not a policy document, it is an actuarial report. Ultimately we had to resort to a Freedom of Information to obtain the report.

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NSW Legislative Council, Parliament House , Macquarie Street, Sydney NSW 2000
Tel: (02) 9230 2915 **Fax:** (02) 9230 2385 **Email:** catherine.cusack@parliament.nsw.gov.au

A full copy is attached to this submission as it paints a detailed picture of the state of the rental housing market in New South Wales; the slowing in turnover of properties as people are too afraid to leave because the vacancy level has fallen below 1% and alternative lodgings are unavailable. The most disadvantaged tenants are those seeking to enter the market who are unable to find suitably located accommodation and are paying the highest rents in the state.

Low Cost Housing types are contracting: In past years girls from country New South Wales travelling to Sydney have been able to access secure, safe affordable boarding house accommodation – that is no longer the case and these girls who are studying or working in Sydney are likely to share flat. In past years nurses were accommodated at hospitals; and many other citizens were able to access permanent housing at caravan parks. In the past 12% of the population of Tweed was living relatively happily in balanced, positive communities in caravan parks. These options have shrunk, together with public housing, forcing tens of thousands of citizens into the private rental market.

The State Opposition also sought a copy of another report paid for by the NSW Rental Bond Board called "NSW Boarding Accommodation Study" (May 2007). This study deals with an important issue – the apparent collapse of boarding accommodation which has historically played a crucial role in the proviosion of low cost rental accommodation. Unfortunately the Government has also withheld this document which may have assisted the inquiry and informed public debate.

Use of Tenants Money by the NSW Rental Bond Board The Rental Bond Board is established as an Independent Authority to manage funds compulsorily paid by tenants and held in trust by the Board. There are over 620,000 active bonds in New South Wales. The average size of recently lodged bonds has increased from $973 in June 2000 to $1,303 in June 2007 which means rents have increased by more than 30% - which is far higher than growth in incomes and has led to increased numbers of tenants experiencing rental stress and/or trading down to poorer quality lodgings.

The total value of bonds held by the Board exceeded $690 million in 2007 and this attracted interest earnings of $42.5 million. However only $100,000 of these significant interest earnings were returned to tenants whose bond money was invested by the Board. Some of the funds are spent by the Office of Fair Trading administering the Bond Board or providing for tenants. The bulk of interest earnings is accumulating.

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Under changes to the Rental Bond Board Act in 2002, the New South Wales Minister for Fair Trading has great discretion on how to expend these funds. For example interest from tenants bond money was used to pay for the Department of Housing's study of Boarding Houses – which it is now refusing to release to the public. The Boarding House report has little to do with tenants and may have been more appropriately funded from recurrent Housing Department funds.

During the 2007 State Election Campaign the Iemma Government announced a major initiative for affordable housing for Sydney residents. This involved purchasing and renovating several hundred properties. $18 million was given by the Rental Bond Board, even though the project was of no benefit to the bulk of the 620,000 tenants whose money was being diverted for this purpose. For unexplained reasons the amount taken from the Rental Bond Board was increased from $18 million to $30 million to fund the Government's election promises on affordable housing.

I submit to the Senate Inquiry that to divert the proceeds of tenants money in this way is a gross abuse of trust by the NSW Rental Board and the Minister for Fair Trading. The $100,000 return to tenants fails to maintain the real value of their bond money, let alone match the 30% growth in rents which has led to a 30% growth in bond requirements. I believe tenants are struggling financially and dipping into their interest earnings in a secretaive way to fund recurrent Government spending is unethical. A bank found to be diverting the interest earnings of its account holders in this way would be the subject of a major investigation. I also note that trust management laws require trust managers limit expenditure and charges to 1% of the total amount of funds under management. The NSW Rental Board is clearly not fulfilling its charter to act on behalf of tenants – indeed every appointee to the Board appears to be the beneficiary of some sort of grant and this raises serious issues of governance.

Far North Coast Issues:

On the specific issue of the Far North Coast I ask the Committee to give consideration to the lumpy provision of infrastructure and its affect on Housing affordability. For example improvements to the Pacific Highway have reduced travel time to Brisbane from 3 hours in 2000 to two and a quarter hours, with further reductions in travel time to come. This brings the NSW Fair North Coast well into the Brisbane/Gold Coast property market and has contributed to significant growth in prices. However local incomes have not risen to match Brisbane/Gold Coast incomes and the effect is to squeeze locals out of the market. As infrastructure improves we need to plan for better industry and jobs growth so that the economic benefits can be retained locally and not flow north of the border.

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We need to retain and build centres such as Lismore to ensure our communities do not become dormitory suburbs of Brisbane, with locals priced out of their own homes.

Secondly I note the difficulty Byron Council had for many years in upgrading its sewage infrastructure. This led to a moratorium on development lasting several years, constraining supply and forcing prices up disproportionately.

Thus infrastructure has a profound impact on affordability and ought to be considered as part of a holistic policy to developing and growing communities.

I thank you for the opportunity to contribute to this inquiry.

Yours sincerely

Catherine Cusack

223-239 Liverpool Road
Ashfield, Sydney NSW 2131
Locked Bag 4001, Ashfield BC1800

Telephone (02) 8753 8000
Facsimile (02) 8753 8888
www.housing.nsw.gov.au

NSW DEPARTMENT OF HOUSING

18 March 2008

Mr Barry O'Farrell MP
New South Wales Liberal Leader
Att: Peter Rouse
Parliament House
Macquarie Street
SYDNEY NSW 2000

Our Ref: HOA/2475
Matter No: 20071948

Dear Mr Rouse

Freedom of Information Application (FOI) –HOA/2475

I refer to your application under the Freedom of Information Act 1989 to the NSW Office of Fair Trading (OFT) on 10 January 2008, where you requested a copy of "May 2007 Report on Boarding Houses funded by the NSW Rental Bond Board". This report has been identified as "NSW Boarding Accommodation Study May 2007", folios 1 to 180 inclusive.

On 18 February 2008, OFT transferred your application to Housing NSW under Section 20(1)(a)(ii) of the FOI Act.

I have carefully considered your request in view of the objectives of the FOI Act to extend as far as possible the publics right to access information. I was also required to consider the requirements of Section 25 of the FOI Act, which provides that an agency may delete exempt material from a document and also refuse the release of an exempt document.

I have this day determined that the NSW Boarding Accommodation Study, folios 1 to 180 inclusive, be exempt from disclosure under Clauses 9(1) of Schedule 1 of the Freedom of Information Act 1989. For your information, I have attached a copy of the above Clause.

The NSW Boarding Accommodation Study (the report) was commissioned by Housing NSW, in conjunction with the OFT, the Department of Planning and Leichhardt Council. The report was recently submitted to Housing NSW, the OFT and the Department of Planning to allow the respective agencies to consider, evaluate and review the report's recommendations. To date, Housing NSW has not had an opportunity to adopt any of the report's recommendations, and has recently commenced discussions with the respective agencies as to the possible impacts that the recommendations may have on their functions and resources etc.

I determine that there is a clear public interest in maintaining the confidentiality of the report when internal and external deliberations and consultation have yet to be finalised and recommendations implemented. Prematurely releasing the report before Housing NSW has had an opportunity to fully implement recommendations would inhibit the efficiency and quality of any deliberative process the Department may engage in whilst endorsing the recommendation of the report. Furthermore, releasing the report would disclose advice and recommendations on boarding house accommodation that may be the subject of further review. Therefore, I have determined that the report is exempt under Clause 9(1) of Schedule 1 of the Freedom of Information Act.

If you are dissatisfied with my determination, you have the right to request an internal review. An application for internal review must be in writing and you must lodge it within 28 days from this determination at the address on page 1 of this letter. A fee of $20.00 is payable for such an application.

Should you require further information regarding your request, please contact me on telephone (02) 8753 8386.

Yours sincerely

Rita Peci

Rita Peci
Manager
Freedom of Information Unit
Legal Services Branch

{20071948\RMP\06165634}

Clause 9 of Schedule 1 of Freedom of Information Act 1989

Internal working documents

(1) A document is an exempt document if it contains matter the disclosure of which:

(a) would disclose:
(i) any opinion, advice or recommendation that has been obtained, prepared or recorded, or
(ii) any consultation or deliberation that has taken place,
in the course of, or for the purpose of, the decision-making functions of the Government, a Minister or an agency, and

(b) would, on balance, be contrary to the public interest.

(2) A document is not an exempt document by virtue of this clause if it merely consists of:

(a) matter that appears in an agency's policy document, or
(b) factual or statistical material.

TAX INVOICE / RECEIPT
0003722

NSW Department of Commerce

Department of Commerce
ABN 54 625 095 406

Received by: *(tick box)* ☐ Money Order ☐ Cash ☐ Credit card ☐ Debit card on 21 / 1 / 2008
☒ Cheque Cheque No. 73 1912

The sum of *(in words)* THIRTY DOLLARS

From: Parliamentary Liberal members

Amount: $ 30 –

GST: $ –

For: FOI application

TOTAL: $ 30 –

If payment has been made by cheque, this receipt is issued subject only to the cheque, on account of which it is given, being duly cleared.

Received by: ALobo

Blue – Original Green – Finance Copy White – Book Copy

COPY

finity

7 August 2007

Mr M Silk
Executive Director, Fair Trading Services
NSW Office of Fair Trading
Department of Commerce
Level 22, 227 Elizabeth Street
SYDNEY NSW 2000

Dear Michael

Rental Bond Board Review

Please find attached our final report on the actuarial review of the operations of the Rental Bond Board.

Our key conclusions following this study are -

1. considering that there are no significant expenditure items planned in the next five years, the net assets of the RBB are expected to grow from $20 million to around $76 million by 30 June 2011
2. the net assets as a percentage of in force bonds is projected to increase from its 30 June 2007 level of 2.9% to 8.6% at 30 June 2011.

Please do not hesitate to contact us if you have any questions.

Yours sincerely

Bruce Watson

Kane Boulton

Fellows of the Institute of Actuaries of Australia

Sydney
Ph: + 61 2 8252 3300
Fax. + 61 2 8252 3399

Level 7
155 George Street
The Rocks NSW 2000

Melbourne
Ph: + 61 3 8080 0900
Fax: + 61 3 8080 0999

Finity Consulting Pty Limited
ABN: 89 111 470 270
www.finity.com.au

Rental Bond Board

Part I Findings

1 Introduction

We have been asked by the NSW Office of Fair Trading (OFT) to undertake an actuarial review of the Rental Bond Board (RBB) fund as at 30 June 2007.

We have undertaken a number of such reviews in the past for the OFT. The most recent review we have completed was based on data to 30 June 2006, and documented in our report "Rental Bond Board Review" dated 13 November 2006.

1.1 Scope

The purpose of our current advice is to:

- provide an analysis and projection of the rental bonds, including:
  - duration of tenancy for paid bonds
  - numbers of lodgements and refunds
  - the average size of bonds
- update the financial projection model of the Rental Bond Board's activities from the previous review to reflect the actual position as at 30 June 2007, and the projected positions at each balance date to 30 June 2011
- carry out sensitivity analysis for the financial projections.

1.2 Background

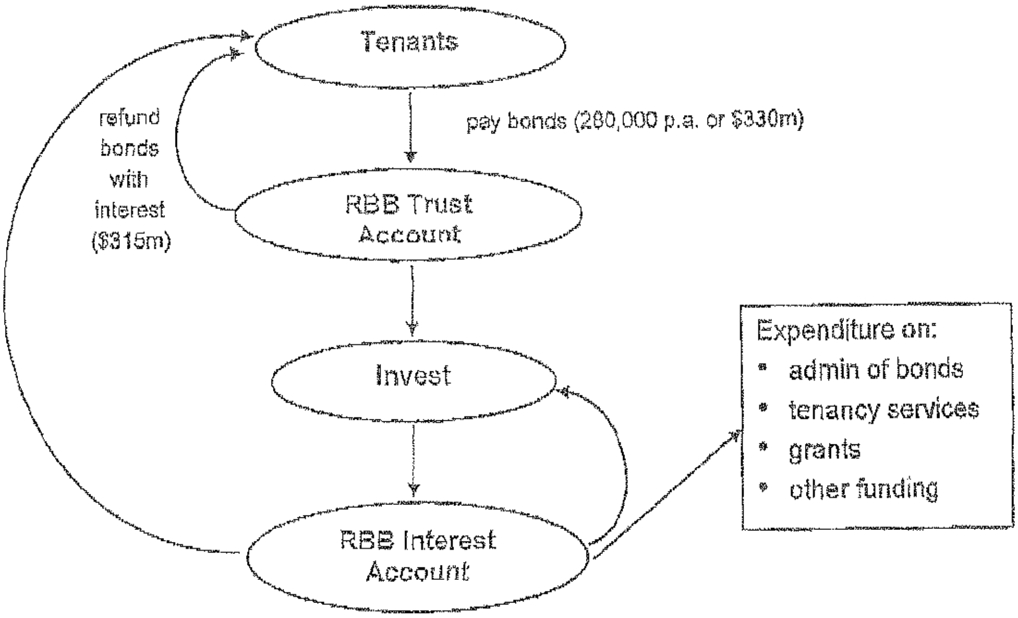
The RBB is operated by the OFT. Rental bond money is collected by the RBB, and invested primarily in fixed interest securities – including both government and corporate bonds – thus earning investment income.

From this investment income the RBB pays:

- its own operational expenses
- credited interest on the rental bonds repaid at the end of the corresponding tenancy agreement. The credited interest rate on rental bonds is currently minimal at 0.01% per annum.

Diagrammatically, the operations of the RBB can be represented as shown in Figure 1.1.

Figure 1.1 – RBB Operations



1.3 Data Supplied

The OFT supplied the following data for this review:

- Report MN3001 - "Length of Tenancy for All Paid Residential Bonds" showing numbers of bonds refunded, grouped into bands of tenancy length. This report was provided for each quarter from September 2006 to June 2007, and we have data for earlier periods from our previous work for the Board.
- Report MN2001 - "Length of Tenancy for Active Residential Bonds" showing numbers and amounts of current bonds by tenancy length. This was provided for each quarter from September 2006 to June 2007, and we have data for earlier periods from our previous work for the Board.
- Draft Rental Bond Board annual accounts for the 2006/07 year
- Budget financial statements for 2007/08 and forecasts for 2008/09 to 2010/11.

1.4 Structure of Report

The remainder of this report contains the following:

Section 2 - shows the historical bond experience

Section 3 - sets out the details of our bond projection model

Section 4 - contains our financial projection model

Section 5 - summarises our key findings

Section 6 - describes the reliances and limitations of this report.

The Appendices to this report provide more detail on the data provided, the analysis undertaken and our projections.

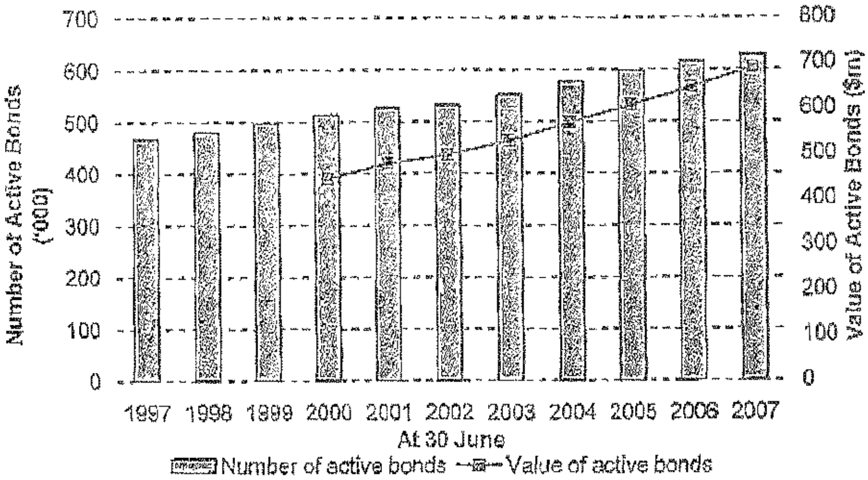
2 Bond Experience

This section sets out the recent bond experience. The figures supporting the graphs are shown in Appendix A.

2.1 Active Bonds

Figure 2.1 below shows the number of active bonds at 30 June of each year from 1997 to 2007 and the value of active bonds from 30 June 2000 to 30 June 2007.

Figure 2.1 – Number and Value of Active Bonds

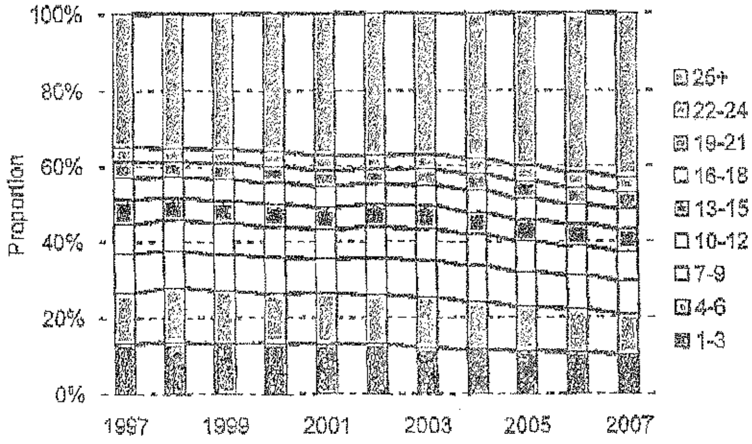


The number of active bonds has grown from around 470,000 at 30 June 1997 to over 620,000 at 30 June 2007.

Over the period 30 June 2000 to 30 June 2007, the value of active bonds grew more quickly than the number of active bonds, indicating an increase in the average value of active bonds (see section 2.4). The value of active rental bonds at 30 June 2007 was $690 million.

Figure 2.2 shows the proportion of bonds in force, spilt into duration bands, at 30 June of each year from 1997 to 2007.

Figure 2.2 - Proportion of Bonds in Force by Duration (months)



Over the last nine years there has been a steadily increasing trend in the proportion of bonds of longer durations. The proportion of bonds of duration 25 months and above has risen from 35% at 30 June 1997 to 43% at 30 June 2007, and the proportion of bonds of durations less than 12 months has dropped from 45% at 30 June 1997 to 37% at 30 June 2007.

This feature could be due to either or both of two possible causes:

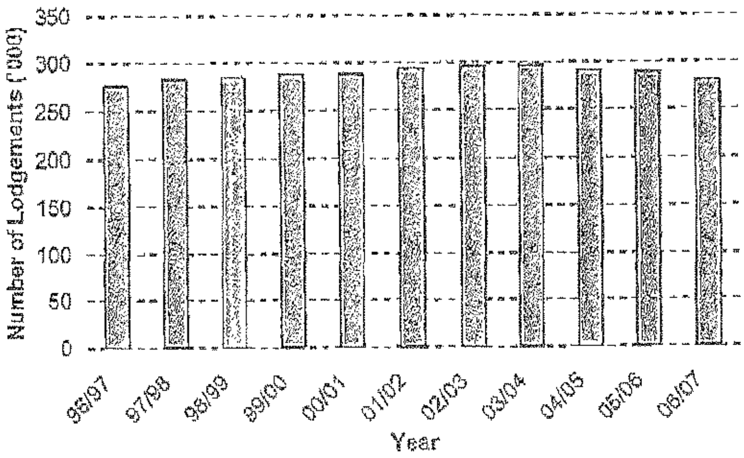
- a reduction in the number of new bonds being lodged
- a lengthening of the average tenancy.

We explore these two aspects below.

2.2 Lodgements

Figure 2.3 shows the number of bonds lodged in each of the last 11 years.

Figure 2.3 - Number of Bonds Lodged



The number of lodgements had been steadily increasing year on year until 2003/04. In the last three years the number of new bonds lodged was lower than in 2003/04.

Table 2.1 shows the actual versus expected lodgement experience as projected by our model at June 2006.

Table 2.1 – Actual versus Expected Number of Bonds Lodged

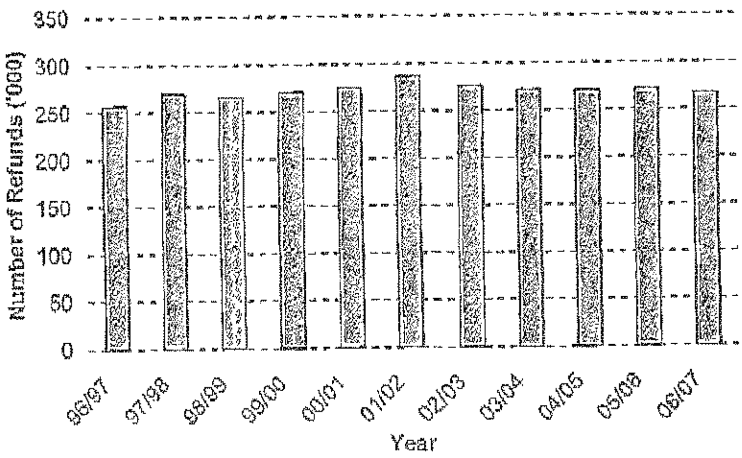
Quarter	Expected Number Lodged	Actual Number Lodged	Difference	% Difference
Mar-07	74,998	72,712	(2,286)	(3%)
Jun-07	70,462	68,977	(1,485)	(2%)
Sep-07	75,523	72,010	(3,513)	(5%)
Jun-07	68,974	66,097	(2,877)	(4%)
Total	289,957	279,796	(10,161)	(4%)

The lodgement experience has been lower than predicted by our model. This has led to revised assumptions in our projection model as discussed in section 3.

2.3 Refunds

Figure 2.4 shows the number of bonds refunded in each of the last 10 years.

Figure 2.4 – Number of Bonds Refunded



The number of bonds refunded in each year increased to a peak in 2001/02. Since then, the number of bonds refunded has been decreasing very slightly but with an average of around 270,000 per annum.

Table 2.2 shows the actual versus expected refund experience as projected by our model at June 2006.

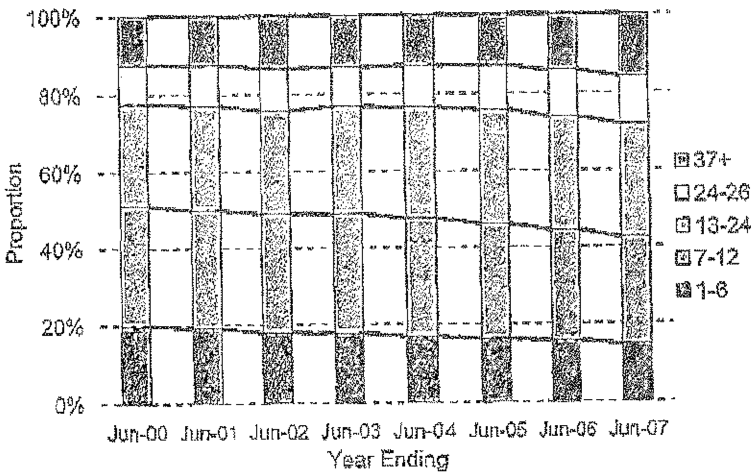
Table 2.2 – Actual versus Expected Refunds

Quarter	Expected Number Refunded	Actual Number Refunded	Difference	% Difference
Sep-06	69,703	68,165	(1,538)	(2%)
Dec-06	67,937	64,934	(3,003)	(4%)
Mar-07	70,104	67,205	(2,899)	(4%)
Jun-07	68,009	66,174	(1,835)	(3%)
Total	275,753	266,478	(9,275)	(3%)

There have been fewer numbers of bond refunds than projected by our model at June 2006. We have used this information in revising our model assumptions as described in Section 3.

Figure 2.5 shows the number of bonds refunded split by duration band.

Figure 2.5 - Proportion of Bonds Refunded by Duration (months)

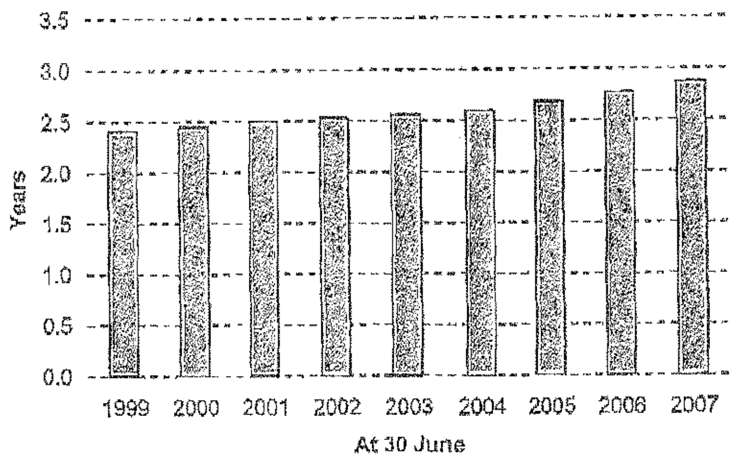


Of the bonds being refunded, the proportion from longer durations has increased over the last seven years. This indicates a lengthening average tenancy, which we analyse in the next section.

2.4 Profile of Active Bonds

Figure 2.6 shows the average length of tenancy of bonds in force (in years) at 30 June of each year 1999 to 2007. In calculating the average length of tenancy, we assumed that all bonds with duration over 121 months had duration equal to 121 months.

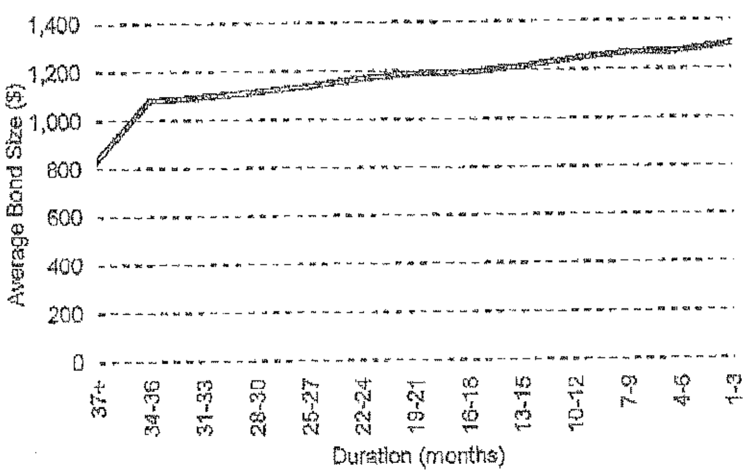
Figure 2.6 - Average Length of Tenancy of Active Bonds



The average length of tenancy for active bonds has increased from around 2.4 years at 30 June 1999 to around 2.9 years at 30 June 2007.

Figure 2.7 shows the average size of active bonds at 30 June 2007 by duration.

Figure 2.7 - Average Size of Active Bonds at 30 June 2007



The average size of in force bonds is $1,099 overall. As would be expected, the average size of bonds is higher for the bonds that have been lodged more recently, being $1,274 for bonds lodged in the last year compared with an average of $834 for bonds lodged more than three years ago.

3 Bond Projection Model

This section documents our analysis of the bond experience and results of our model that projects the bond experience for the next five years. The detailed projections are shown in Appendix B.

3.1 The Model

We utilised the projection model that was first built for the actuarial review in 1998 and has been subsequently used in the 2000 and 2006 reviews. The model is designed to project:

- number of new bonds lodged
- number and amount of bonds refunded
- number and amount of bonds in force.

The model is a quarterly model, based on analysis of the bond experience from 30 September 1996 to 30 June 2007.

The model projects each cohort of bonds, with individual bonds grouped according to duration (i.e. time since lodgement). The rate of decrement (i.e. refunds) is closely linked to the duration. The average value of bonds in force is also linked to the original lodgement date.

3.2 Projected Lodgements

Table 3.1 shows the number of lodgements in each year and the growth in the number from year to year.

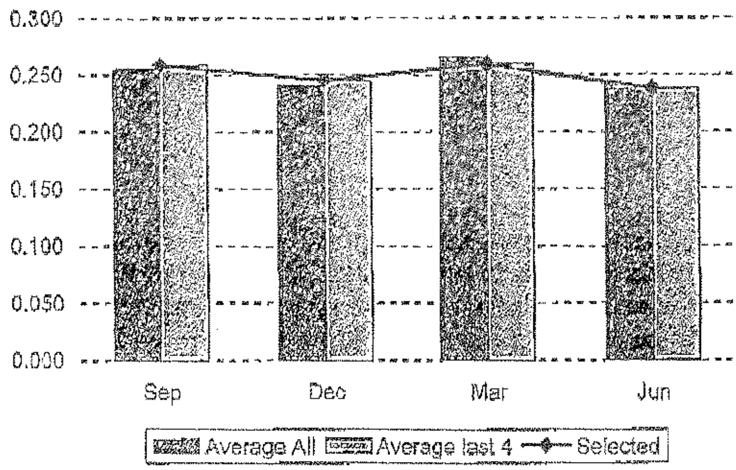
Table 3.1 – Number of Lodgements

Year	Number Lodged	Percent Increase
1992/93	241,069	
1993/94	256,082	6.2%
1994/95	262,069	2.3%
1995/96	270,776	3.3%
1996/97	275,251	1.7%
1997/98	282,564	2.7%
1998/99	284,456	0.7%
1999/00	287,103	0.9%
2000/01	287,242	0.0%
2001/02	292,299	1.8%
2002/03	295,347	1.0%
2003/04	296,649	0.4%
2004/05	290,335	-2.1%
2005/06	288,514	-0.6%
2006/07	279,796	-3.0%

In our previous assessment at June 2006, we assumed that the bonds would grow by 0.5% per annum. However, as shown in section 2.2, the lodgement experience in the past year has been lower than expected. As a result, we have revised our assumption to be that the number of lodgements in each future year would be stable – that is growing by 0% per annum.

We then selected seasonality factors so that we could split our annual projection of the number of lodgements into a quarterly projection. Figure 3.1 shows the seasonality experience and our selections.

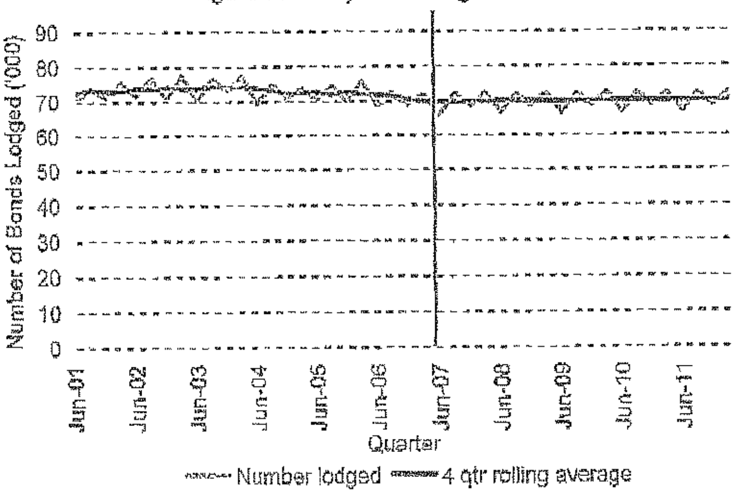
Figure 3.1 - Seasonality



There has been a small shift over time in the seasonal pattern of lodgements with a higher proportion of lodgements in the September and December quarters during the last four years and less in the March and June quarters. Consistently though, there are more lodgements made in September and March than in December and June.

Figure 3.2 shows the projected number of lodgements.

Figure 3.2 - Projected Lodgements



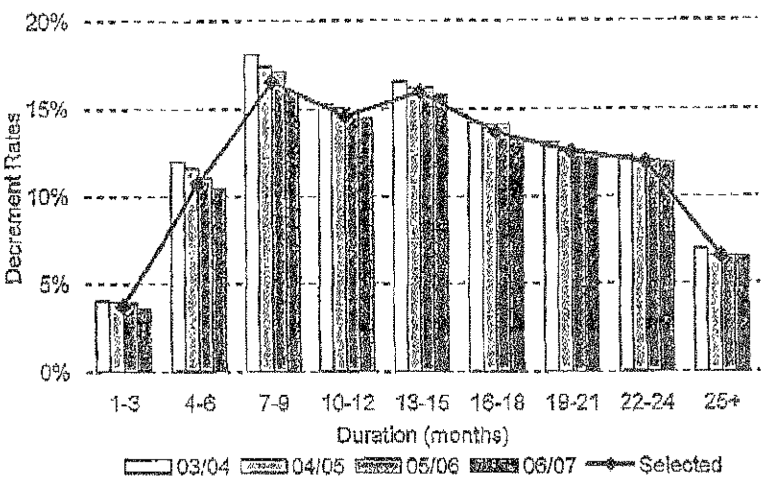
The projection assumes a flat trend.

3.3 Projected Refunds

The average rate of decrement (i.e. refund) over the past 12 months has been 10%.

The rate of decrement was calculated for each duration band by dividing the number of bonds refunded in the quarter by the number of bonds in force at the start of the quarter. Figure 3.3 shows the average decrement rates across the four quarters of each year 2003/04 to 2006/07 along with the selected decrement rates.

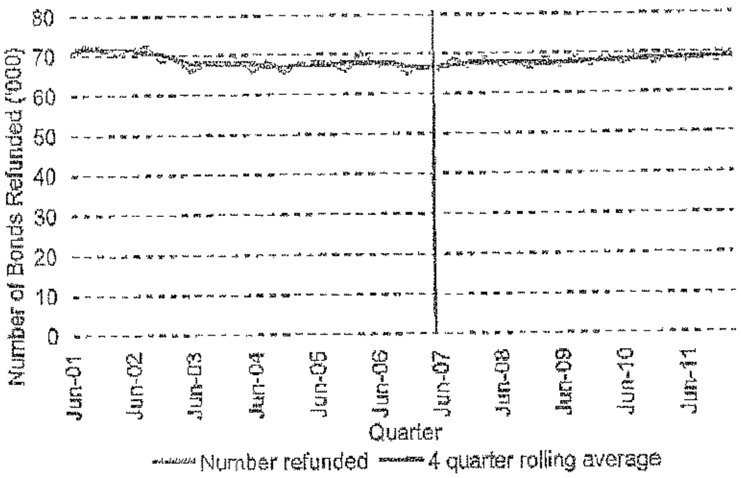
Figure 3.3 - Decrement Rates by Duration



The decrement rates have fallen over the four years examined for each duration band which indicates an underlying movement towards lengthening tenancy. We have adopted decrement rates that generally reflect the experience of the two most recent years. Based on the current duration profile of in force bonds our adopted decrement rates imply that between 10.5% and 11.0% of in-force bonds will be refunded each quarter.

Figure 3.4 shows the projected numbers of refunds.

Figure 3.4 – Projected Refunds



3.4 Average Size of Bonds in Force

Table 3.2 shows the average size of active bonds at 30 June 2007 and 30 June 2006.

Table 3.2 Average Size of Bonds In Force

Duration (months)	Average at June 06	Average at June 07	Percent Increase
25+	877	905	3.2%
22-24	1,116	1,167	4.5%
19-21	1,124	1,189	5.8%
16-18	1,145	1,192	4.2%
13-15	1,164	1,213	4.2%
10-12	1,188	1,244	4.7%
7-9	1,195	1,269	6.2%
4-6	1,190	1,272	6.9%
1-3	1,200	1,303	8.6%
Total	1,051	1,099	4.6%

The average size of bonds has increased by 4.6% from $1,051 to $1,099 in the last 12 months. The increase in the average size of bonds is shown at each duration, and it can be seen that bonds of less than three months' duration at 30 June 2007 are on average 8.6% larger than the bonds of less than three months' duration at the same time last year.

To analyse the trend in the size of new bonds being lodged we have looked at the historical experience of the average size of bonds in force for durations 1-3 months. This is shown in Table 3.3.

Table 3.3 – Average Size of Recently Lodged Bonds

Quarter	Average Size	Per Annum Increase
Mar-00	946	
Jun-00	973	
Sep-00	983	
Dec-00	1,007	
Mar-01	1,015	7.3%
Jun-01	1,023	5.1%
Sep-01	1,029	4.6%
Dec-01	1,038	3.1%
Mar-02	1,036	2.1%
Jun-02	1,036	1.3%
Sep-02	1,051	2.2%
Dec-02	1,064	2.5%
Mar-03	1,060	2.3%
Jun-03	1,063	2.6%
Sep-03	1,081	2.9%
Dec-03	1,093	2.7%
Mar-04	1,103	4.1%
Jun-04	1,101	3.6%
Sep-04	1,115	3.1%
Dec-04	1,129	3.3%
Mar-05	1,141	3.4%
Jun-05	1,145	3.9%
Sep-05	1,167	4.6%
Dec-05	1,184	4.9%
Mar-06	1,184	3.8%
Jun-06	1,200	4.8%
Sep-06	1,223	4.8%
Dec-06	1,258	6.2%
Mar-07	1,267	7.0%
Jun-07	1,303	8.6%

	Per Annum Increase
Average All Years	4.0%
Average Last 4 Yrs	4.5%
Average Last 2 Yrs	5.6%

Table 3.3 shows the per annum increase in the average size of recently lodged bonds. There has been an increasing trend over time in bond sizes, and relatively strong inflation in the past year. General inflation in rents is probably the main cause although there may also be a change in the mix of rental properties toward higher-value properties. It would be interesting

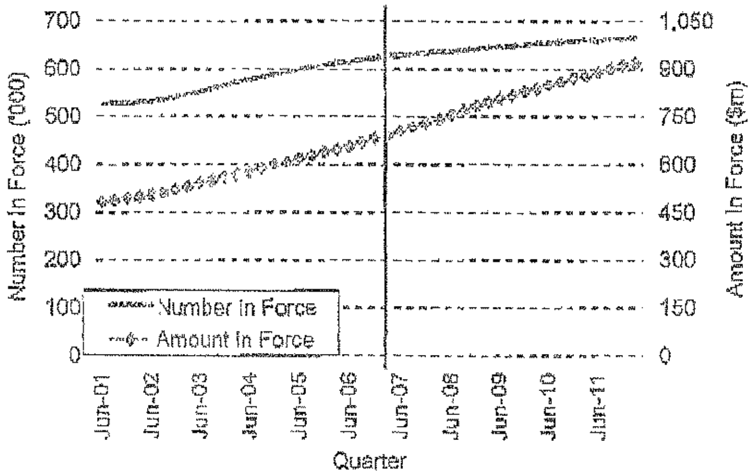
to explore this further but it is beyond the scope of our analysis and we did not obtain the data to investigate this.

For our projection model we have selected an average size of $1,300 for new lodgements ($1,200 selected at June 2006) and assumed that the average size of new bonds will increase over the long term with 4.0% per annum inflation (3.0% selected at June 2006). It is possible that the actual growth in average bond sizes will continue to be higher than this in the short term so we have tested the sensitivity of our projections to higher bond inflation (see Section 4.4).

3.5 Projected Bonds In Force

Using the selected average bond size for new lodgements, the projected number of lodgements and the projected number of refunds, the projected number and the projected amount of in force bonds (including interest) can be calculated.

Figure 3.5 - Numbers and Amounts of In force Bonds



3.6 Summary

Table 3.4 summarises our projections.

Table 3.4 – Projected Bonds

Projection Year	Number Lodged	Number Refunded	Number In Force at end	Amount In Force at end ($m)
2007/08	279,796	271,673	628,151	690.6
2008/09	279,796	270,078	636,274	740.2
2009/10	279,796	271,989	645,991	786.9
2010/11	279,796	273,839	653,798	836.0
2011/12	279,796	275,251	659,755	876.7

4 Financial Projections

This section sets out the details of our projection of RBB's financial statements.

Previously, the rental bonds appeared as a note to the accounts rather than on the Board's balance sheet. As such, we needed to add the rental bonds into the accounts and restate the accounts on a market value basis to get the "true" financial position. However, for this review, we received consolidated Trust and Interest Account financial statements for RBB which removed the need for any re-statement.

The net assets shown in the accounts at 30 June 2007 are $20.1 million.

4.1 Adequacy of Previous Assumptions

Investment Earnings

In the June 2006 review we set our projection assumptions for investment earnings to match with the RBB budget investment income for 2007/08. This corresponded to an investment return of 5.76% of the mid-year value of assets. For 2006/07, the actual investment earnings were higher at 6.05%.

At 30 June 2006 the assets of the RBB were invested in around 5% cash and 95% fixed interest. The official Government cash rate at 30 June 2006 was 5.75% per annum and the zero coupon rate on longer term bonds ranged from around 5.85% per annum to 6.0% per annum. In this context, an investment return assumption of 5.76% per annum was reasonable.

These rates have increased in the past year, with the official Government cash rate at June 2007 being 6.25% per annum and the zero coupon rate on longer term bonds ranging from around 6.27% per annum to 6.56% per annum. In this context, the difference between the actual and expected investment earnings is reasonable.

Expenses

The projection assumptions for expenses at June 2006 were set to match with the RBB budget expenses. We were provided with itemised amounts for each projection year for technology, Affordable Housing and additional programmes. For the other expense items, we were provided with the 2006/07 budget amounts which we converted into an assumption relative to the number or amount of in force bonds in the year. The actual expenses for 2006/07 are shown in Table 4.1 alongside the assumptions made at June 2006.

Table 4.1 – Actual versus Expected Expense Assumptions

Expense Item	Expected 2006/07 Assumption	Expected 2006/07 Amount $million	Actual 2006/07 Result	Actual 2006/07 Amount $million
Interest on bonds	0.02% of amount of bonds in force mid-year	0.1	0.01% of amount of bonds in force mid-year	0.1
Other processing expenses	$33.45 per number of bonds in force mid-year	20.8	$36.47 per number of bonds in force mid-year	22.7
Tenancy Programmes				
- Tenancy Grants	$7.15 per number of bonds in force mid-year	4.4	$7.21 per number of bonds in force mid-year	4.5
- Tenancy CTTT	$14.31 per number of bonds in force mid-year	8.9	$14.73 per number of bonds in force mid-year	9.2
- Affordable Housing	As per budget	18.0		30.0
Total		52.3		66.4

Excluding the additional affordable housing spend, the actual expenses for 2006/07 are not too different to what was assumed at June 2006. Interest on bonds was lower than assumed at 0.01% but this is consistent with the statutory rate. We have adopted 0.01% p.a. for our projection this year.

Other processing expenses were slightly higher, at $36.47 per number of bonds rather than $33.45. This is a result of higher expenses than assumed, rather than the number of bonds being significantly lower than expected.

Tenancy Grants and Tenancy CTTT were only slightly higher than expected, while the Affordable Housing programme received $12 million more than we projected. In the June 2006 review, it was noted that an additional $20 million was to be spent on the Affordable Housing programme above the $18 million expected, however in the forecast it was spread over 2007/08 to 2010/11.

Planned expenditure is much lower in the next five years. The forecast accounts show:

- $5 million in technology to be spent over 2007/08 to 2008/09
- $4.5 million per year recurrent grants to non-profit organisations
- $8.6 million per year grants to agencies for recurrent purposes.

4.2 Assumptions for Projected Financial Statements

For this review, we received a detailed report of the budget accounts for 2007/08 to 2010/11 which meant fewer assumptions were made on our part.

Investment Earnings

Investment earnings are set at $42 million for each year from 2007/08 to 2010/11 in the forecast budgets. On the projected mid-year value of assets, this corresponds to investment returns of 5.69% for 2007/08 and decreasing to 4.8% for 2010/11. Referring to the detail on investment earnings in section 4.1, we consider that these investment return assumptions are low. We have therefore adopted 6.25% per annum for our projections.

The net assets are highly sensitive to the investment earnings assumption, so we have prepared alternative scenarios which are explained further in section 4.4.

Expenses

Table 4.2 shows the expense items.

Table 4.2 – Expense Items ($m)

Expense Item	Assumption	2007/08	2008/09	2009/10	2010/11
Operating Expenses					
Interest on bonds	0.01% of amount of bonds in force mid-year	0.1	0.1	0.1	0.1
Technology	As per budget	2.5	2.5	0.0	0.0
Other processing expenses	As per budget	23.8	23.8	23.8	23.8
Total Operating Expenses		26.4	26.4	23.9	23.9
Grants and Subsidies					
Recurrent to Non-Profit Organisations	As per budget	8.6	8.6	8.6	8.6
To agencies for recurrent purposes	As per budget	4.4	4.4	4.4	4.4
Total Grants and Subsidies		13.0	13.0	13.0	13.0
Total		39.4	39.4	36.9	36.9

In the forecast accounts supplied by OFT, a dollar amount of interest on bonds was included that corresponded to 0.02% of the projected amount of bonds in force mid-year. Given that the actual experience has been 0.01%p.a. in the last five years, we have again assumed a rate of 0.01% rather than take the dollar amount as stated in the forecast accounts.

4.3 Projected Financial Statements

Table 4.3 summarises the results of our financial projections.

Table 4.3 – Projected Financial Statements – Base Scenario ($million)

Income and Expenditure	2006/07	2007/08	2008/09	2009/10	2010/11
Income					
Interest and unrealised capital gains	42.5	46.3	50.1	54.0	57.8
Expenditure					
Interest on bonds	0.1	0.1	0.1	0.1	0.1
Technology	0.0	2.5	2.5	0.0	0.0
Other bond processing	22.7	23.8	23.8	23.8	23.8
Grants and Subsidies	43.6	13.0	13.0	13.0	13.0
Total	66.4	39.4	39.4	36.9	36.9
Operating surplus	(23.9)	6.8	10.7	17.1	20.8

Balance Sheet	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Assets	712.6	767.6	835.0	893.2	954.8
Liabilities	692.5	740.7	797.4	838.6	879.3
Net Assets	20.1	26.9	37.6	54.7	75.5
Net Assets as % of Value of In Force Bonds	2.9%	3.6%	4.7%	6.5%	8.6%

The net assets of the RBB are projected to grow from around $20 million at June 2007 to almost $76 million in 2010/11.

The net assets as a percentage of in force bonds are projected to increase from the 30 June 2007 level of 2.9% to around 9% at 30 June 2011.

4.4 Sensitivities

We have tested a number of sensitivities of the base scenario financial projections. We have examined the impact of:

- investment return of 2% per annum more than our base assumption of 6.25% per annum
- investment return of 2% per annum less than our base assumption of 6.25% per annum
- bond inflation of 3% per annum more than our base assumption of 4% per annum
- Technology spend of $10 million over 2007/08 to 2008/09 rather than our base assumption of $5 million.

The results of these scenarios are summarised in Table 4.4.

Table 4.4 – Projected Net Assets - Sensitivities

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Base Scenario					
Net Assets	20.1	26.9	37.6	54.7	75.5
Net Assets as % of Value of In Force Bonds	2.9%	3.6%	4.7%	6.5%	8.6%
2% higher investment return					
Net Assets	20.1	42.4	71.1	109.1	153.9
Net Assets as % of Value of In Force Bonds	2.9%	5.7%	8.9%	13.0%	17.5%
2% lower investment return					
Net Assets	20.1	11.8	5.4	3.5	3.2
Net Assets as % of Value of In Force Bonds	2.9%	1.6%	0.7%	0.4%	0.4%
3% higher bond inflation					
Net Assets	20.1	27.0	38.3	57.2	81.6
Net Assets as % of Value of In Force Bonds	2.9%	3.6%	4.7%	6.5%	8.6%
$5 million higher technology spend					
Net Assets	20.1	24.3	32.3	49.0	69.5
Net Assets as % of Value of In Force Bonds	2.9%	3.3%	4.0%	5.8%	7.9%

The table shows:

- The net assets of the RBB are heavily influenced by the level of investment returns. A 2% per annum addition to the investment return results in net assets at 30 June 2011 that are around twice the base scenario. A 2% per annum reduction in the investment return almost erodes the net assets of the RBB by 30 June 2011.
- Net assets are little impacted by the level of rental bond inflation, with net assets increasing only slightly over the projection period in the "3% higher bond inflation" scenario.
- A higher technology spend is sustainable as the net assets are only slightly impacted by the additional $5 million assumed in the final scenario.

5 Summary and Conclusions

We can summarise the findings of our review as follows:

1. the number and value of active bonds has grown significantly over the last seven to ten years
2. the number of new bond lodgements had been steadily increasing year on year until 2003/04 but has decreased in each of the last three years
3. the number of bonds refunded in each year increased to a peak in 2001/02, but since then the number of bonds refunded has been lower than the 2001/02 level
4. the proportion of longer duration bonds being refunded has increased over the period examined, and the average length of tenancy for active bonds has increased from around 2.4 years at 30 June 1999 to around 2.9 years at 30 June 2007
5. the average size of in force bonds at 30 June 2007 was $1,099 overall and was $1,303 for new bonds lodged in the latest quarter. The average size of new bonds lodged in 2006/07 was 6.6% higher than for new bonds lodged in 2005/06
6. our projections of future bond experience are summarised in Table 5.1 below:

Table 5.1 – Projected Bond Experience

Projection Year	Number Lodged	Number Refunded	Number In Force at end	Amount In Force at end ($m)
2007/08	279,796	271,673	628,151	690.6
2008/09	279,796	270,078	636,274	740.2
2009/10	279,796	271,989	645,991	796.9
2010/11	279,796	273,839	653,798	838.0
2011/12	279,796	275,251	659,755	878.7

7. the net assets shown in the accounts at 30 June 2007 are $20 million. We project this to grow to around $76 million at 2010/11
8. the net assets as a percentage of in force bonds is projected to increase from its 30 June 2007 level of 2.9% to 8.6% at 30 June 2011
9. as the RBB funds its operating expenses and grants from investment earnings on rental bonds, the net asset position of the RBB is heavily influenced by the level of investment returns. If we project an additional 2% per annum of investment returns with no change to expenses or grants, the net assets at 30 June 2011 end up around two times the base scenario. On the other hand, a 2% per annum reduction in the investment return almost erodes the net assets of the RBB by 30 June 2011

10. net assets are only slightly impacted by the level of inflation in rental bonds (larger rental bonds create a bigger investment pool and therefore generate more investment returns). If the average size of new bonds grows at 7% per annum rather than our base assumption of 4% per annum, projected net assets at 30 June 2011 are only $6 million higher.

6 Reliances and Limitations

This report is being provided for the sole use of the OFT for the purposes stated in Section 1 of this report. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by the OFT for the purpose for which it is intended.

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The report should be considered as a whole. Members of Finity staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this report. We have not independently verified or audited the data, however we have reviewed the data for general reasonableness and consistency. It should be noted that if any data or other information is inaccurate or incomplete, we should be advised so that our advice can be revised, if warranted.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, actual experience could vary considerably from our estimates. Deviations are normal and are to be expected.

Part II Appendices

A Bond Experience

A.1 Numbers and Values by Year

Year	Number of Active Bonds at 30 June	Value of Active Bonds ($000s) at 30 June	Number of Lodgements In year	Number of Refunds In Year
Jun-97	466,941	n/a	275,251	256,794
Jun-98	479,872	n/a	282,564	269,632
Jun-99	497,340	n/a	284,458	265,725
Jun-00	513,458	445,088	287,103	269,983
Jun-01	526,321	478,682	287,242	274,379
Jun-02	532,395	498,689	292,299	286,225
Jun-03	551,777	529,835	295,347	275,965
Jun-04	577,034	569,641	296,649	271,392
Jun-05	597,576	607,261	290,335	269,793
Jun-06	614,833	646,260	288,514	271,257
Jun-07	628,151	690,594	279,796	266,478

A.2 Active Bonds by Duration

Duration (in months)	Number of In Force Bonds at 30 June 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
25+	163,191	169,078	175,984	185,502	195,527	198,001	204,193	218,542	238,298	258,401	270,002
22-24	17,753	17,242	18,894	20,150	20,358	19,176	20,875	23,622	24,747	24,641	24,725
19-21	19,852	19,728	21,103	22,131	22,746	20,879	24,063	26,501	27,649	27,373	27,923
16-18	26,677	25,757	28,130	28,774	28,397	28,725	29,400	33,534	33,292	32,294	34,281
13-15	30,947	28,420	28,441	30,944	31,433	32,270	34,393	33,462	34,591	35,518	36,665
10-12	36,207	39,173	41,150	41,938	41,012	43,619	45,886	46,064	47,880	47,481	49,387
7-9	48,265	46,642	47,403	48,906	47,366	51,329	53,133	55,056	54,156	54,019	53,694
4-6	62,279	68,374	69,353	66,988	70,057	68,068	72,675	71,934	69,150	69,651	66,360
1-3	61,770	65,558	65,882	68,125	69,126	70,328	67,159	67,319	67,813	67,465	65,214
Total	466,941	479,872	497,340	513,458	526,321	532,395	551,777	577,034	597,576	614,833	628,151

Duration (in months)	Proportions at Each Duration 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
25+	35%	35%	35%	36%	37%	37%	37%	38%	40%	42%	43%
22-24	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
19-21	4%	4%	4%	4%	4%	4%	4%	4%	5%	4%	4%
16-18	6%	5%	6%	6%	5%	5%	5%	6%	6%	5%	5%
13-15	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
10-12	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
7-9	10%	10%	10%	10%	9%	10%	10%	10%	9%	9%	9%
4-6	13%	14%	14%	13%	13%	13%	13%	12%	12%	11%	11%
1-3	13%	14%	13%	13%	13%	13%	12%	12%	11%	11%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

A.3 Refunded Bonds by Duration

Duration	Number of Decrements							
(in months)	2000	2001	2002	2003	2004	2005	2006	2007
37+	33,145	33,986	37,932	35,898	34,530	34,679	38,158	42,157
24-36	27,248	28,969	31,222	26,273	29,097	30,782	32,577	32,717
13-24	71,442	74,303	76,868	77,019	78,545	79,951	80,384	78,599
7-12	84,484	84,611	88,704	85,962	83,351	80,719	77,872	74,022
1-6	53,664	52,510	51,479	48,813	45,869	43,862	42,266	38,983
Total	269,983	274,379	286,225	275,965	271,392	269,793	271,257	266,478

Duration	Proportion Refunded							
(in months)	2000	2001	2002	2003	2004	2005	2006	2007
37+	12%	12%	14%	13%	13%	13%	14%	16%
24-36	10%	11%	12%	10%	11%	11%	12%	12%
13-24	26%	27%	28%	28%	29%	30%	30%	29%
7-12	31%	31%	33%	31%	31%	30%	29%	28%
1-6	20%	19%	19%	18%	17%	16%	16%	15%
Total	100%	100%	106%	100%	100%	100%	100%	100%

A.4 Average Length of Tenancy

Year	Average Length of Tenancy (Years) at 30 June
1998/99	2.41
1999/00	2.45
2000/01	2.50
2001/02	2.53
2002/03	2.55
2003/04	2.60
2004/05	2.68
2005/06	2.77
2006/07	2.87

A.5 Bond Sizes

Duration (in months)	Number of Active Bonds at 30 June 2007	Value of Active Bonds ($000s) at 30 June 2007	Average Bond Size at 30 June 2007
37+	200,184	166,899	834
34-36	15,320	16,566	1,081
31-33	16,526	18,113	1,096
28-30	18,330	20,457	1,116
25-27	19,642	22,331	1,137
22-24	24,725	28,842	1,167
19-21	27,923	33,187	1,189
16-18	34,281	40,877	1,192
13-15	36,565	44,357	1,213
10-12	49,367	61,430	1,244
7-9	53,694	68,146	1,269
4-6	66,360	84,417	1,272
1-3	65,214	84,971	1,303
Total	628,151	690,594	1,099

B Bond Projection Model

B.1 Number of Bonds Lodged

Quarter	Number Lodged	Annual No Lodged	Annual Growth	Seasonality
Sep-92	60,209			0.250
Dec-92	56,936			0.236
Mar-93	65,681			0.272
Jun-93	58,243	241,069		0.242
Sep-93	63,694		4.00%	0.246
Dec-93	60,164			0.235
Mar-94	70,596			0.278
Jun-94	61,738	256,062	6.23%	0.241
Sep-94	67,142			0.256
Dec-94	60,873			0.232
Mar-95	72,324			0.276
Jun-95	61,730	262,069	2.34%	0.236
Sep-95	67,633			0.251
Dec-95	63,452			0.234
Mar-96	74,036			0.273
Jun-96	65,459	270,776	3.32%	0.242
Sep-96	69,042			0.251
Dec-96	65,367			0.237
Mar-97	71,249			0.259
Jun-97	68,593	275,251	1.65%	0.253
Sep-97	71,565			0.253
Dec-97	67,677			0.240
Mar-98	74,689			0.265
Jun-98	68,413	282,654	2.66%	0.242
Sep-98	72,869			0.256
Dec-98	67,773			0.238
Mar-99	75,230			0.264
Jun-99	68,584	284,456	0.67%	0.241
Sep-99	73,325			0.255
Dec-99	69,257			0.241
Mar-00	75,160			0.262
Jun-00	69,361	287,103	0.93%	0.242
Sep-00	70,962			0.247
Dec-00	67,410			0.235
Mar-01	78,503			0.273
Jun-01	70,367	287,242	0.05%	0.245
Sep-01	73,828			0.253
Dec-01	71,302			0.244
Mar-02	75,555			0.258
Jun-02	71,614	292,299	1.76%	0.245
Sep-02	76,880			0.260
Dec-02	70,643			0.239
Mar-03	77,717			0.263
Jun-03	70,097	295,347	1.04%	0.237
Sep-03	76,566			0.258
Dec-03	73,277			0.247
Mar-04	77,466			0.261
Jun-04	69,340	296,649	0.44%	0.234
Sep-04	74,996			0.258
Dec-04	70,926			0.244
Mar-05	73,804			0.254
Jun-05	70,609	290,335	-2.13%	0.243
Sep-05	74,355			0.258
Dec-05	69,687			0.242
Mar-06	75,967			0.263
Jun-06	68,445	288,514	-0.63%	0.237
Sep-06	72,712			0.260
Dec-06	66,977			0.247
Mar-07	72,010			0.257
Jun-07	66,097	279,795	-3.02%	0.236

Quarter	Average All	Average ex 06/07	Average last 4	Selected Seasonality
Sep	0.254	0.254	0.259	0.259
Dec	0.239	0.239	0.245	0.246
Mar	0.265	0.266	0.259	0.259
Jun	0.241	0.241	0.238	0.236

B.2 Number of Bonds Refunded

Quarter	Number Refunded	Detrement Seasonality
Sep-92		
Dec-92	54,659	
Mar-93	57,731	
Jun-93	58,080	
Sep-93	59,322	0.255
Dec-93	55,337	0.238
Mar-94	61,366	0.263
Jun-94	56,866	0.244
Sep-94	60,655	0.254
Dec-94	57,698	0.242
Mar-95	62,714	0.263
Jun-95	57,689	0.242
Sep-95	61,137	0.250
Dec-95	59,141	0.242
Mar-96	64,042	0.262
Jun-96	59,777	0.245
Sep-96	64,590	0.252
Dec-96	62,557	0.244
Mar-97	64,716	0.252
Jun-97	64,920	0.253
Sep-97	68,392	0.254
Dec-97	64,256	0.239
Mar-98	70,654	0.262
Jun-98	66,330	0.246
Sep-98	0	0.000
Dec-98	65,544	0.329
Mar-99	67,974	0.341
Jun-99	65,776	0.330
Sep-99	68,365	0.253
Dec-99	65,838	0.244
Mar-00	66,721	0.255
Jun-00	67,059	0.248
Sep-00	66,028	0.241
Dec-00	64,667	0.235
Mar-01	73,212	0.267
Jun-01	70,572	0.257
Sep-01	72,739	0.254
Dec-01	72,012	0.252
Mar-02	70,230	0.245
Jun-02	71,244	0.249
Sep-02	72,349	0.252
Dec-02	68,474	0.248
Mar-03	69,255	0.251
Jun-03	65,887	0.239
Sep-03	68,192	0.251
Dec-03	68,515	0.252
Mar-04	69,045	0.254
Jun-04	65,640	0.242
Sep-04	66,281	0.253
Dec-04	65,645	0.243
Mar-05	67,789	0.251
Jun-05	68,078	0.252
Sep-05	67,857	0.250
Dec-05	65,689	0.242
Mar-06	70,470	0.260
Jun-06	67,241	0.248
Sep-06	68,165	0.253
Dec-06	64,934	0.244
Mar-07	67,205	0.252
Jun-07	66,174	0.248

Quarter	Average All	Average last 4	Selected Seasonality
Sep	0.255	0.253	0.253
Dec	0.250	0.245	0.245
Mar	0.263	0.254	0.254
Jun	0.253	0.248	0.248

finity

NSW Office of Fair Trading

B.3 Decrement Rates per In Force Bonds

finity

B.4 Projections

In Force at 30 June 2007 and Projected Inforce

Duration (in months)	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
25+	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22-24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19-21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16-18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13-15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7-9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4-6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1-3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lodgements	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
In Force	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Projected Discharges

Duration (in months)	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
25+	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22-24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19-21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16-18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13-15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7-9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4-6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1-3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Discharges Seasonality Factors

Sep	0.253
Dec	0.245
Mar	0.254
Jun	0.248

Projected Discharges Adjusted for Seasonality

Duration (in months)	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
25+		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22-24		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19-21		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16-18		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13-15		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10-12		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7-9		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4-6		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1-3		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

In Force at 30 June 2007 and Projected Inforce - Adjusted for Seasonality

Duration (in months)	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
25+	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22-24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19-21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16-18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13-15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7-9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4-6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1-3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lodgements	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
In Force	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C Financial Projection Model

C.1 Income and Expenditure Statement

Item	2001 $000	2002 $000	2003 $000	2004 $000	2005 $000	2006 $000	2007 $000	2008 $000	2009 $000	2010 $000	2011 $000
INCOME											
Interest	32,995	33,158	33,400	34,111	37,820	38,991	42,471	46,256	50,082	54,008	57,751
Gross proceeds/(loss) from sale of assets	197	0	0	879	1	0	0	0	0	0	0
Asset re-valuation writeup/(writedown)	2,799	-1,408	18,625	-17,946	8,763	-10,490	0	0	0	0	0
TOTAL INCOME	35,991	31,750	52,025	17,044	46,584	28,501	42,471	46,256	50,082	54,008	57,751
EXPENDITURE											
Rental Bond Processing											
- Interest on bonds	499	134	70	77	82	89	100	72	77	82	86
- technology	0	0	0	0	0	0	0	2,500	2,500	0	0
- other	17,645	17,952	17,066	16,880	20,196	19,791	22,667	23,813	23,808	23,803	23,799
Total expenditure on rental bonds	18,144	18,086	17,136	16,957	20,278	19,880	22,767	26,385	26,385	23,885	23,885
Tenancy Information and Services Programs											
- Tenancy Services - Aged Care and Misc	432	334	300	379	442	270	0	0	0	0	0
- Tenants Advice and Advocacy Program	2,453	2,628	3,243	3,376	3,434	3,815	3,990	0	0	0	0
- Tenancy Consumer Trader and Tenancy Tribunal	6,154	7,013	6,817	8,016	8,176	8,638	9,152	0	0	0	0
- Tenancy Services - Affordable Housing	0	0	0	0	0	9,875	30,000	4,449	4,449	4,449	4,449
- Additional programmes	0	0	0	0	0	0	491	0	0	0	0
	9,039	9,975	10,360	11,771	12,052	22,398	43,633	4,449	4,449	4,449	4,449
- Inter-agency grants	0	0	600	600	0	0	0	8,578	8,578	8,578	8,578
Total expenditure on tenancy information	9,039	9,975	10,960	12,371	12,052	22,398	43,633	13,027	13,027	13,027	13,027
TOTAL EXPENDITURE	27,183	28,061	28,096	29,328	32,330	42,278	66,400	39,412	39,412	36,912	36,912
OPERATING SURPLUS	8,808	3,689	23,929	-12,284	14,254	-13,777	-23,929	6,844	10,670	17,096	20,839
Accumulated Funds at beginning	19,721	28,529	32,218	56,147	43,863	58,117	44,340	20,077	26,921	37,591	54,686
Accumulated Funds at end	28,529	32,218	56,147	43,863	58,117	44,340	20,077	26,921	37,591	54,686	75,525

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C.2 Balance Sheet

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
ASSETS												
Investments	473,676	516,049	539,566	588,294	615,507	669,789	692,401	712,566	767,617	835,003	893,248	954,782
TOTAL ASSETS	473,676	516,049	539,566	588,294	615,507	669,789	692,401	712,566	767,617	835,003	893,248	954,782
LIABILITIES												
Creditors and Accrued Charges	8,276	7,207	6,681	1,295	718	2,823	198	514	514	514	514	514
Rental Bonds	445,679	480,313	500,667	530,852	570,926	608,849	647,863	691,977	740,182	796,898	838,048	878,743
TOTAL LIABILITIES	453,955	487,520	507,348	532,147	571,644	611,672	648,061	692,491	740,696	797,412	838,562	879,257
NET ASSETS	19,721	28,529	32,218	56,147	43,863	58,117	44,340	20,077	26,921	37,591	54,686	75,525

AUSSIEBUILD 3000 PTY LTD
ABN 29 089 025 829

John Hawkins
Senate Select Committee on Housing Affordability in Australia
Fax: 0262775719

10th April 2008

Dear John

Re: AFFORDABLE HOUSING IN AUSTRALIA

BACKGROUND:

I was a school teacher who became a licensed builder in 1974. I began renovating old homes in country towns in the mid 1960's, began constructing new flats for teachers in these towns and manufacturing transportable factory modular housing to help to resolve remote area housing.

My company built for the N.S.W Housing Dept, the Teacher Housing Authority and the N.S.W Low Cost Housing Initiative.
Today my business and hobby is the development of:

(A) New land usage models
(B) New building technology
(C) New housing models

Ausindustry has supported my company, Aussiebuild 3000 *Pty Ltd* with grants for this technology over the last 5 years.

I wish to share with you my forty year's experience in this field. I feel we need to use our residential land more effectively and we need to use technology to produce first class affordable housing. I wish to suggest that we:

Re: (A) LAND USE:

Allow a second dwelling to be built on all residential 'A' blocks thus doubling the potential land use without the time delay of producing new blocks of land - more details below in Note A.

P.O. Box 34 Terranora 2486 N.S.W. AUSTRALIA
Mobile: 0412 903 000 Phone: (07) 5590 5305 Fax: (07) 5590 5306

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Re: B BUILDING TECHNOLOGY:

De – specialise the construction process so that the expensive sequential steps currently used are simplified to the extent that people can build their own houses, under supervision, thus helping themselves to solve their housing crisis- more details below in note 'B'

Re: C NEW HOUSING MODELS:

Again in this area we Australians have shown a very narrow vision in addressing housing that is appropriate for our modern day family.

By designing housing that can be used in a way appropriate to the occupants over their lifetime, much more affordability can be built in. Further details are available from us.

Other Investigation Areas Include:

(a) Steep Site models
(b) Backwater inundation, Flood prone land models
(c) Medium density Town House models
(d) Inner city narrow block redevelopment
(e) Small lot individual housing
(f) Remote area housing
(g) Commercial and Industrial applications

NOTE A – LAND USE MODELLING

(1) Allow an additional independent dwelling on all existing Residential A individual lots with the proviso that the new residence be the minor component in a major/minor configuration, be compatible in appearance and not significantly alter the streetscape. This will potentially double the availability of land for the construction of moderate cost housing which can be occupied by the extended family or offered to the open market to assist the rental crisis and family income.

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Other suggestions include:

(2) Incorporate small lots; say 400m^2, some using nil lot boundaries as part of the domestic new subdivision mix.

(3) Increase the proportion of duplex lots to say 20% of total lots in a new subdivision.

(4) Allow pockets of medium density, adjacent to community facilities and public transport so that low rise, say 3 storeys can provide compact solutions and a mix of housing types.

(5) Provide to community housing groups a small percentage of lots, across the above model types, in each new subdivision.

(6) Investigate parcels of government land adjacent to railway stations in our major cities for the construction of low cost medium density projects as joint ventures between governments and private investment under community housing administration.

(7) Encourage State Government to fund community housing companies e.g. Brisbane Housing Company, who specialise in building inner city medium density housing which have rentals relating to current social welfare incomes.

I have many other more detailed suggestions but offer the above as an introduction to addressing affordability in land usage.

NOTE B – NEW BUILDING TECHNOLOGY

The significant problems of housing construction in Australia include:

(a) Extensive use of plantation pine timber framing and the inherent white ant problems.

(b) The sequential nature of a multitude of trades resulting in extensive costs and time delays.

(c) The reduction in owner builders being able to effectively build for themselves because of the factors in (b) above.

To address these issues, my company, Aussiebuild 3000 P/L have conducted extensive investigations into house modelling and efficient steel usage.

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OUR LATEST DEVELOPMENT IS THE **PORTAL STEEL HOUSE.**

The most economical way to enclose a building space is to build a series of portal frames and enclose the floor, walls and roof within these frames.

Aussiebuild 3000 P/L uses steel portals, at 3.6m centres, in one, two and three storey domestic buildings.

The bearers, floor joists, ceiling joists and roof battens are all bolted together and the pre made steel wall frames are fitted between the portal uprights.

It is virtually a meccano assembly, it requires no concrete slab (just 9 holes for portal leg footings), it eliminates roof trusses and a two storey three bedroom building can be prepared for roofing in four days.

It is suitable for steep sites, flood prone land, remote area housing etc, etc.

All components are delivered flat pack to site directly from the steel manufacturers who are located in capital cities and major provincial towns.

Costs are extremely economical and the owner builder can conduct most tasks excluding licensed building trades e.g. electrical & plumbing.

Flat pack buildings can be a one bedroom addition, single or two storey houses, three storey town houses, mining houses, aboriginal housing, zown housing etc, etc.

Conclusion - To solve the housing problem we have to be able to help ourselves. A group of four friends could prepare an Aussiebuild portal steel house for roofing in two weekends. Once the roofing is installed the internal trades work and wall sheeting can take place out of the weather.

I hope the above contribution is of interest as I feel that the economical provision of housing will help Australians maintain a living standard that has been brought into question by the current housing situation.

Murray Spry
Aussiebuild 3000 Pty Ltd
Phone: 0412 903 000
Email: muzspry@bigpond.net.au

Murray Spry