



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN  
AUSTRALIA

**Reference: Barriers to homeownership in Australia**

THURSDAY, 3 APRIL 2008

SYDNEY

BY AUTHORITY OF THE SENATE



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

**Thursday, 3 April 2008**

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

**Senators in attendance:** Bartlett, Colbeck, Fifield, Hutchins, Moore, Payne and Siewert

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

**Terms of reference for the inquiry:**

To inquire into and report on:

The barriers to home ownership in Australia, including:

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

## **WITNESSES**

<b>BERRYMAN, Mr Colin Andrew, Program Coordinator, Western Sydney Regional Organisation of Councils .....</b>	<b>13</b>
<b>CRABTREE, Dr Louise, Research Program Coordinator, Urban Research Centre, University of Western Sydney .....</b>	<b>47</b>
<b>DEGOTARDI, Mr Mark Campbell, Head of Public Affairs, ABACUS-Australian Mutuals .....</b>	<b>33</b>
<b>FINGLAND, Mrs Sharon Ruth, Assistant Director, Western Sydney Regional Organisation of Councils.....</b>	<b>13</b>
<b>HAY, Councillor Anthony (Tony), President, Western Sydney Regional Organisation of Councils .....</b>	<b>13</b>
<b>JOHNSTON, Ms Kate, Research Project Officer, Urban Research Centre, University of Western Sydney .....</b>	<b>47</b>
<b>LAWRENCE, Mr Jeffrey Keith, Director, Planning and Environment, Campbelltown City Council .....</b>	<b>25</b>
<b>McIVOR, Ms Jane, Director, Macarthur Community Forum .....</b>	<b>2</b>
<b>MURNANE, Mr Brian, Executive Manager, Development, Argyle Community Housing Ltd .....</b>	<b>39</b>
<b>PHIBBS, Professor Peter Julian, Coordinator, Academic Programs, Urban Research Centre, University Of Western Sydney .....</b>	<b>47</b>
<b>TOSI, Mr Paul, General Manager, Campbelltown City Council .....</b>	<b>25</b>



**Committee met at 9.01 am**

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

The barriers to home ownership in Australia, including:

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

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

[9.03 am]

**McIVOR, Ms Jane, Director, Macarthur Community Forum**

**CHAIR**—Welcome. Would you like to make a brief opening statement about the issues of concern to the forum, and then we will go to questions from senators.

**Ms McIvor**—The No. 1 issue is that we were given two days notice of this hearing, so it has put quite a lot of strain on our service to get the evidence together. I would just like that noted. Macarthur Community Forum is the regional peak body for human services across Macarthur and Wingecarribee. We represent human services that deal with the disadvantaged and people who do not basically have a voice. Our role is to support those services.

In this area we have quite an alarming issue around affordable housing. There is lots of evidence that demonstrates that affordable housing is causing quite significant stress on our population. We are seeing increased poverty and homelessness. We have seen increased numbers of people returning to domestic violence situations because they have nowhere to live. We see diminished labour market opportunities, low education attainment and health and social problems. And it goes on. I have submitted this information as evidence as well, so there are statistics that will back up the evidence I am giving.

One of the difficulties we have in this region is that the data is watered down. Thus, when the government looks at the data for this region, they often see it as our having affordable housing because it is cheaper in this region than other areas of Sydney. The problem is that we have large pockets of disadvantaged coupled with some pockets of fairly wealthy groups, which means that, when the statistics go out from the ABS, they are quite watered down and do not really reflect the issues of this region.

This region has a high concentration of blue-collar workers and low-income workers. In recent years we have had quite large growth of housing within this area, but it has all been targeted at the high-income earners in order to increase or to encourage high-income earners to come to this region. However, there is quite an alarming mismatch between the types of houses being built and the people who actually live within this region.

We have a high percentage of young families, with 48.5 per cent of our population aged between 25 and 59, and 43.6 per cent of those are purchasing properties. We have quite a low number of people who actually own their properties, and the rest are in private rental or public housing. We have lower than average education levels. We see people leaving school at years 9 and 10 and a much lower than average number of people going on to year 12. This is reflected in our wage levels. We have a very high number of people on low wages—39.8 per cent of our income earners are earning under \$400 a week. This does not really marry with the cost of what they are paying for their house in respect of incomes—we have 22.2 per cent of people paying \$3,000 a month in rent, which is a lot when you look at how many people are on low incomes. The average rental properties are around \$280 to \$300 a week, and their earnings of \$400 a week obviously do not match that. And it is on the increase.

One of the other difficulties in this region is that we have five public housing estates with very large pockets of disadvantage. The public housing stock is drastically reducing and it is almost impossible to get into public housing at the moment. We have priority housing only, which means that they have to go through quite a rigorous process of being refused private rental and having to prove that they qualify for priority housing. The stock is rapidly decreasing. The reason for that is we have quite a major shortage of one- to two-bedroom houses in public housing. We have a shortage of adaptable housing. We also find that we are hitting high maintenance costs for the public housing properties because they are now 30-plus years old. The Department of Housing is currently in deficit and has actually had to get a loan this year to deal with its costs, so it is not increasing the number of properties. We also have a major redevelopment happening. I am sure you have heard of the Minto redevelopment. This is an example of people being relocated to other areas of public housing, which means the stock is reduced.

Private rental is very limited. We have people queuing for private rental, and it is very costly—people often pay over 30 per cent of their income in private rental. I could reflect on a personal experience of living in private rental accommodation as a professional. I struggled to keep up with the rising costs and, last year, I was off sick for six months and ended up with \$53 in my pocket per week after I paid my rent. I now have quite a significant debt, so I can speak on a personal note about that.



One of our major problems in this area around homeownership is that families are overcommitting themselves in the desperation to find themselves a home. The average cost of housing is \$400,000. In this area there are lots of hidden costs that people do not realise when they first take out their mortgage. As I mentioned before, we have a high concentration of blue-collar workers and blue-collar jobs. A lot of the new properties being built are for professionals and high-income earners, so we are finding that they then have to cover petrol costs because 70 per cent of the population in Wollondilly, for example, move out of the area every day for education and work, and that figure is not much lower for Camden and Campbelltown. You will see that on the stress of the roads around this region. So they have that hidden cost. Also there is very limited public transport in this region. Wollondilly does not even have electrified train lines, let alone a public bus system, so people are very dependent on cars. Most families have at least one car, and often they have more than one car, and obviously the costs of that adds to their family expenses.

Large areas of Wollondilly are still not on sewerage and the drought has increased the costs of water supply. Also we have problems with government boundaries in the sense that people might live at Warragamba, which is very close to Penrith, but have to travel down to Campbelltown for the hospital and education. All those things are hidden costs that people do not realise when they take out their initial mortgage. On top of that we have had the interest rate rises. What was alarming when I looked at the statistics when preparing for this was that Wollondilly has the highest rise of bankruptcies, Campbelltown has the seventh highest and Camden has the ninth highest, which is a significant indicator that we are in housing stress in this region.

The last comment I would like to make—I assume you will ask questions on the terms of reference—is around the housing types that we have in this region. We do not have a real mix of housing. We have large houses—three-bedroom houses. What we really need is overall targets to look at a mix of housing type, housing tenure, cost and size. We find that single people often end up back with their parents. I am talking about single people who are in their middle age and might have a divorce and have to return to their parents' home because they cannot afford to rent privately themselves. We are in desperate need of smaller properties that are affordable. Park Central was recently built, which does have a mix of housing type—it has apartments—but it was targeted to the high-income bracket and so, again, our low-income people still have no properties to call on. We are seeing quite significant impacts of this in this region.

That is my opening statement. I have supported the statistics that I have provided to Richard. I can cover the terms of reference, unless you want to ask questions around that.

**CHAIR**—I think my colleagues would like to ask questions, if that is okay, and then, if there is any more information that you want to give us, please feel free to do that. Could you tell us a little more about the membership of the Macarthur Community Forum? You said you go to Wingecarribee; you obviously cover Wollondilly and Camden as well.

**Ms McIvor**—Yes.

**CHAIR**—What other local government areas do you cover?

**Ms McIvor**—And Campbelltown.

**CHAIR**—Campbelltown, where we are, Wingecarribee, Wollondilly and Macarthur.

**Ms McIvor**—Yes, the four local government areas. We are called Macarthur, which is traditionally Campbelltown, Camden and Wollondilly, but a number of state government departments changed their boundaries over recent years to incorporate Wollondilly, so we have been forced to take in Wollondilly as well, because Health and DoCS and a number of others have actually—

**CHAIR**—Wollondilly or Wingecarribee?

**Ms McIvor**—Sorry, Wingecarribee.

**CHAIR**—Regarding the members of the forum, are they service delivery organisations at the grassroots level in this particular region? What sorts of services are we talking about?

**Ms McIvor**—Yes, they are. We have about 400 in our membership. The way that we operate is not necessarily by financial membership, but we certainly have regular contact with about 400 agencies across the region. Those agencies literally cover the whole realm of human services—it could be from youth services to aged care to disability to community development; right across the range of human services. We also work with local government quite closely. They work with the clients at a grassroots level, on the ground. Predominantly we represent the less fortunate in society.

**Chair**—So say a family in the Wollondilly Shire Council area find themselves, for example, unable to meet a mortgage payment and in prospect of being evicted from their home: if they contact the Macarthur Community Forum, what sort of support can they receive?

**Ms McIvor**—Our role is a step back from that, in the sense that we support the services that do the job that you have just highlighted. Services are extremely under-resourced in this area because we are in a growing region. So we basically do the big-picture work of advocacy and lobbying for and support of those services. We do a lot of training of workers. We do a lot of the networks and inter-agencies; there is a need for cross-referrals and that is really important within human services. We actually support the network that provides human services on the ground, so we are a step back from the client who would come to the door. But we have clients on our database that would be dealing with those sorts of issues.

**CHAIR**—I have heard anecdotal stories of service agencies—who I assume would be members of the Macarthur Community Forum—who, for example, in terms of a crisis response to accommodation issues, are finding themselves assisting in paying a mortgage rather than perhaps taking the family concerned and putting them in crisis accommodation, once they are beyond the point of paying their mortgage and have gone to the point of being evicted. Are you familiar with stories of that nature?

**Ms McIvor**—Do you mean personally, or the service?

**CHAIR**—The service.

**Ms McIvor**—Do I know of a service that helps pay mortgages? I do not know of any specific examples of that. But one of the things I am aware of is that we have an alarming shortage of refuges. My personal experience of working on the ground in this region is that at five o'clock on a Friday afternoon we have had, for example, a family with three young children arrive who have literally been turfed out of their home, and we have had no opportunity to put them anywhere. So then it gets really difficult. You talked about the mortgage issue and that such people actually become homeless: we have very limited options for where to put these types of people because rental properties are very difficult to come by and the cost is prohibitive. Obviously, to the person who owns the property, there is a stigma attached to people who are in those sorts of situations. So when there is competition for private rental properties the owner is going to pick the person who has a high income and who looks more stable than the person who has just come out of a mortgage they could not pay. I do not know if you are aware of Formule 1; that is one of our local motels. If you go and look at the types of people who are staying in those motels, the majority are people who have been unable to be housed. They can be there for months at a time because there is literally no housing for them that they can get into. So we would class those people as homeless.

The thing that really cut me when I was doing research about this was when I rang a family support agency and the person I spoke to said there were a number of mothers who were returning to severe domestic violence situations purely because they had nowhere else to live and they felt that it was unfair for their children to be out on the street and homeless, so they were returning to that. But then of course we get into child abuse and neglect issues, because the children are being returned to domestic violence situations because they have no opportunity to be housed in any other way. I do not know if that answers your question.

**CHAIR**—Yes, that is very helpful.

**Ms McIvor**—So services will be hitting those problems on an ongoing basis. And often families have to move out of the region—or have to separate and move out of the region—to actually be housed, because we just do not have the housing in this region for people on low incomes.

**CHAIR**—But it is not a question of land supply in this region, is it? In theory at least, land supply is reasonable—or in fact probably better than reasonable, particularly if you are going across Wollondilly and towards Wingecarribee.

**Ms McIvor**—Yes.

**CHAIR**—So the real issue which you are highlighting for us in terms of accommodation is the issue of physical dwellings?

**Ms McIvor**—Yes, and the type. When we talk about land release we have large pockets of land release, and it is going faster than our infrastructure can cope with. So we do not have a problem with land release, but it is the type of land release. All land release that I am aware of in this region is being targeted for large houses and high-income people. So we are still not addressing the needs of those people that are in mortgage crisis, have a low income or are unemployed.

**CHAIR**—Through the forum, do you talk as an organisation to the planners here at Campbelltown City Council or Wollondilly, Wingecarribee and Camden and tell them what you think the constituency needs?

**Ms McIvor**—Absolutely. We have a very close relationship with all three councils. We have not really got a close relationship with Wingecarribee yet because we have only quite recently taken that area in, but Campbelltown, Camden and Wollondilly we have a very close working relationship with and they are extremely aware of the problems that exist within this region. One of the things that I want to highlight is the lack of coordination between the various levels of government around these types of issues. Local government are often very aware of the needs on the ground, but there is no coordinated, integrated approach across local, state and federal governments around how land release is developed and how houses are released. So local government tear their hair out sometimes, and I find it quite difficult because local government often do not have the finances or money behind them to deal with the issues that they are facing and being presented with by people like us but then they go to the next level and it gets lost.

I wrote a submission last week, which I have also submitted to the south-west subregional plan for the metropolitan strategy, because there has been no involvement at any level of the metropolitan strategy with human service agencies. This means that they have dealt with the hard infrastructure, they have highlighted that there is going to be community facilities here, here and here but they have not talked to any human services at state or federal level about the actual funding of workers on the ground. When I spoke to the growth centre they said quite clearly that they expected the current services in this region to deal with 181,000 extra people, that they would do outreach to these areas. So this is an example of where we have quite a division between the state, federal and local governments.

**CHAIR**—Is that a state government strategy implementation that you are talking about—the south-west strategy?

**Ms McIvor**—Yes, it is. This area is particularly under stress because we have hit growth in the last five to 10 years, particularly in human services. The money that came out in the seventies and eighties has almost completely dried up in the last ten years around human services. We have hit growth in a period where there is no money, and then there is a metropolitan strategy which is going to go on top of what is already happening here. When you read the whole of the plan for this region, there is not one mention of any additional services, including health and education, at community level.

**CHAIR**—Is that strategy part of the Growth Centres Commission?

**Ms McIvor**—Yes.

**Senator HUTCHINS**—Thank you for your contribution, Ms McIvor. It is not an unusual story in areas where there has been massive growth, as you say, in the last five years. I imagine to a degree that is because public housing has been located here and because of the availability of mortgage finance to get in here. I was interested when you said that—I think I have got it right—affordable housing has led to stress on the population.

**Ms McIvor**—Lack of affordable housing.

**Senator HUTCHINS**—Then you went on to say that the data is watered down on affordable housing.

**Ms McIvor**—The data is watered down about the demographics of this region because we have large pockets of wealth coupled with large pockets of disadvantage.

**Senator HUTCHINS**—You are saying that averages—

**Ms McIvor**—It averages out, and our governments look at the data and say, ‘That’s fine,’ because it is watered down because of the disparity in information.

**Senator HUTCHINS**—You mentioned that there are five public housing estates—that is across all four shires, is it?

**Ms McIvor**—All in Campbelltown.

**Senator HUTCHINS**—And they are some of the suburbs that we have seen in the press.

**Ms McIvor**—Yes. One is currently under redevelopment, but in the subregional plan that I mentioned it is highlighted that they are going to infill on the other four as well.

**Senator HUTCHINS**—Can you expand on what you mean by redevelopment and infill please?

**Ms McIvor**—The public housing estates in this area were developed on the Radburn design. I do not know if you know much about it, but it was designed from overseas. They believed it would be great for community spirit, but it has actually caused a lot of problems with the concentration of large pockets of disadvantaged all in the same area. For example, Minto—I worked in Minto for four years—has 1,200 houses; it has public housing all together in high density. They are currently redeveloping them because they saw that there were large problems with having such large concentrations of disadvantaged. The problem is: where do we put those people? Well, into other Department of Housing areas, but then we have no stock that is coming out new so we are losing stock within this region. One of the things the Department of Housing have clearly said to us is they are not going to reduce stock, but it does not mean they will give the stock to us in this region. Our region has historically had a three- to four-year waiting list for public housing, whereas areas like Fairfield and Bankstown have been 10 to 15 years. With a lot of the stock money they are making from this region they are building stock in the areas with much higher waiting lists. Like I said, we can only offer priority housing to people at this stage; we cannot at all get them into public housing.

**Senator HUTCHINS**—And your criticism was also of the type of stock. I gather they are three-bedroom, 13 square or a little larger when in fact you think some of the stock should be one and two bedrooms.

**Ms McIvor**—Yes, absolutely.

**Senator HUTCHINS**—What has been the response of the authorities to that?

**Ms McIvor**—I mentioned earlier that we had two days notice for this hearing. We have lobbied—we work very closely with the Council of Social Service of New South Wales—and we have worked endlessly for the past five years to get a hearing on affordable housing. We were not able to get a hearing under the previous government. When we got this notice this week, that was to our frustration because we have been waiting for so long and suddenly we get two days notice to present on something that is so important to us. When you say, ‘What is the reflection of the authority’, we have not even been able to get a hearing. We have not been able to talk about affordable housing to date, and that is why we were quite frustrated about the length of time because it was such an important issue for us. We have been lobbying to get a hearing and then we get two days notice for the hearing—but we are grateful that it is happening. I can say that we are very grateful that we are getting a voice and an ear for this subject. We have not had much response, that is the answer.

**Senator HUTCHINS**—I forget the term you used about trying to move people out of Minto, for example. Is the New South Wales government trying to have private housing in their mix of people? Is that the aim?

**Ms McIvor**—My understanding is that public housing is no longer purchasing properties; they are headleasing properties. They will headlease some private properties, but it will be, at the most, 10 per cent on estates. When you look at Minto, there is going to be 20 per cent of public housing where currently there is about 80 per cent, so we will have a dramatic drop in the amount of public housing.

**Senator HUTCHINS**—I am sorry, what was that figure again?

**Ms McIvor**—Minto is 20 per cent public housing and we had to fight quite hard to keep 20 per cent. They actually wanted 10 per cent. We have done work on affordable housing with the Council of Social Service of New South Wales and we recommend that any new estates should have at least 15 per cent affordable housing. That does not necessarily need to be public housing, but affordable rental housing.

**Senator HUTCHINS**—That has worked in other areas as well, hasn’t it? Where you would not necessarily know what is a public housing home in that street.

**Ms McIvor**—That is right. I live in an estate which has public housing scattered across it.

**Senator HUTCHINS**—And that seems to be successful, doesn’t it?

**Ms McIvor**—I have mixed feelings about it. If people go directly into those estates into public housing that is probably a good way forward. What we are finding with the relocation of people from large public housing estates to private estates is that there is major dislocation and major isolation of those people because they do not usually have extended family and lots of support because they are disadvantaged. I myself learned a lot from working in Minto about how the community supports itself because they have a common ground. The stigma in this area around public housing is extremely high. I know that people—even my own family—who buy a house and find out that it is public housing next door can often act inappropriately to those people when they could be quite decent people. Those people often might be unemployed because they have a disability or they do not have transport. The people next door spend their entire week away working and are away at the weekend visiting their own networks, so they end up quite isolated. The public transport system again does not

support that very well either, so they do not have a lot of mobility either. I have mixed feelings about that. I am concerned about the relocation of the large public housing estates, but on the whole it is a better approach. We are not getting enough stock out to actually address the needs of the number of people who need those stocks.

**Senator HUTCHINS**—Are you aware of recent initiatives by the federal government in relation to housing and rental funding?

**Ms McIvor**—Which particular initiatives?

**Senator HUTCHINS**—The Housing Affordability Fund, the National Rental Affordability Scheme, the first home saver account and the National Housing Supply Council: have you been brought up to speed on those at all?

**Ms McIvor**—I have not been brought up to speed on those yet. Has that just happened in the last little while? We were excited that homelessness was on the agenda and that initiatives were being addressed.

**Senator HUTCHINS**—It is just that, if you are not aware of them, we should make you aware of them.

**Ms McIvor**—That would be helpful. Again, if the right type of stock is not available, these sorts of schemes fall over. If you are looking at really large houses, they are not going to fit into a lot of those schemes. You mentioned the first home buyers issue. We are more interested in getting affordable, ongoing housing than we are in one-off payments because we have seen, to date, people using one-off payments to get into the housing market but then ending up not being able to manage that mortgage. They get a one-off large payment, get excited and get a mortgage, but they have not actually looked at the hidden costs and the interest rates, and they are usually mortgaged to capacity. Now that full mortgages are available as well, another problem is hitting our deck. People are overmortgaging and not managing that. The bankruptcy figures that I looked at were quite alarming. We have risen from being quite low to being the highest because of people losing their homes.

**Senator HUTCHINS**—You might need to take this question on notice or we can find out. The average age in this area would be fairly low, wouldn't it?

**Ms McIvor**—Yes. I have statistics for this. Like I said, I have glossed over a lot of what I have here, but I have submitted it as well. Families with children are 52.7 per cent, one-parent families are 18.9 per cent and, as I mentioned in my opening statement, families between the ages of 25 and 59 are 48.5 per cent, which is significantly higher than the Sydney average. People come out here thinking that it is going to be cheaper to live, but what they find is that there are hidden costs—petrol, cars and so on. They realise once they get out here that it is not as cheap as they thought.

**Senator HUTCHINS**—I think one of my colleagues was surprised on a trip from the city along the M5 'car park' today. Three or four cars, I think one of my Tasmanian colleagues said, is traffic congestion in Hobart or somewhere.

**Ms McIvor**—It is actually quite funny that you mention that, because I was driving today along Narellan Road. It is a 10-minute journey from my home to Campbelltown, and I had to leave at 8 o'clock to get here for nine—and that is normal on a weekday. You literally go at 10 kilometres an hour. As I was driving today I was thinking, 'I hope somebody from the Senate committee is travelling along one of these roads,' because Camden Valley Way, Narellan Road, M5—all of those—are car parks every single day of the week, and the RTA does not have any plans in the next five years to do anything about any of those roads. But we have significant growth happening as we speak. I am not quite sure how we are going to move in the next two to three years, because we have significant problems.

**CHAIR**—I live in Wingecarribee. To get to my office in Parramatta for a 9 o'clock meeting, I have to leave where I live by 6 am. So I get what you mean.

**Ms McIvor**—Yes, and I appreciate that, because often people do not realise the congestion that is happening out in this region.

**CHAIR**—I feel your pain, if it is any help—both your cold and your traffic.

**Senator FIFIELD**—Ms McIvor, Senator Hutchins touched on the issue of the cost and size of the housing stock, and you do have regular discussions with the local government about those issues. What do you think local government could do in relation to the issue of the size of houses? What mechanisms are at their disposal to encourage one- and two-bedroom houses rather than larger houses?

**Ms McIvor**—A lot of research has been done around these sorts of issues. Are you looking particularly at homeownership or rental or both?

**Senator FIFIELD**—Either. Cost and size have an impact on the capacity for people to buy, because a one- or two-bedroom house is cheaper than a larger house; and it also has an impact on people's ability to rent. Smaller places are cheaper to rent.

**Ms McIvor**—I have actually asked permission to submit a number of research papers, because a number of those research papers actually highlight quite successful programs that are operating overseas around affordable housing and how to incorporate affordable smaller dwellings into new estates. We are actually going to increase the density of Campbelltown and Narellan. That is in the Sydney Metropolitan Strategy. The thing that is difficult is that while size is important so is the cost. We got excited when we heard that Park Central was going to be a tenure mix but, if you actually go and look at Park Central, it is totally focused on high-income earners. So we lost that. If we are going to higher density in Campbelltown and Narellan, I would recommend that the local council, in their planning, actually look at those sorts of properties being not only smaller but affordable. And adaptable—that is the other issue around the ageing population and people with disabilities. We have an incredible shortage of adaptable housing. So it needs to be affordable, small enough and adaptable.

The benchmark we recommend for new estates is that at least 15 per cent of properties be affordable, smaller properties. As I said, there are a number of projects coming from overseas, and even other parts of Australia, that look outside the square. They are much more innovative. We need to not just produce houses; we need to look at how we produce houses. Are there ways that we can work better with community housing or with cooperatives and actually manage those types of housing?

It often happens that properties are built and initially they are affordable; but then, with the rise in market, they become unaffordable. We need to ask: how do we manage to not only build affordable houses—that are not public housing—but keep them affordable? I would recommend that councils look at some of those models of homeownership, of private rental, and actually look at how they can be kept affordable. I find it very difficult when we talk about local government, because I am very aware of their restraints financially. They are not supported well by the state or, to date, by the federal government, and so they struggle to manage what they have on the ground.

For example, Wollondilly has huge areas—you live in Wollondilly or Wingecarribee—but the rate base is extremely small because of the number of people. They have large numbers of roads and lots of things that they need to look after, but they do not have the rate base coming in to cover those costs. That is why it needs to be a coordinated approach as well, with local, state and federal government. It cannot just be looked at at local government level.

**Senator FIFIELD**—That almost sounded like an argument for some council amalgamations, on your part.

**Ms McIvor**—It was not intentional.

**Senator FIFIELD**—We had some evidence presented yesterday in Sydney by some planning academics who raised the issue of the sorts of materials that housing is constructed from—more affordable materials. Have you spoken to local government about being a little more—

**Ms McIvor**—I have not at that level of detail, probably because I am not a planner and I am not involved in the building industry. I guess that is an area that I have not looked at because that is not my area of expertise, as to whether that is possible. I would want the houses to be adequate. That obviously could be a possibility, but I cannot comment on that really. I do not know much about that.

**Senator FIFIELD**—That is more for information. I couch it in terms of allowing greater flexibility in terms of the materials that can be used, because sometimes it can be a little prescriptive. I just flag that.

**Ms McIvor**—That could be a good point, but I cannot comment on it because I am not a builder and I have very little knowledge of that information.

**Senator FIFIELD**—You mentioned the social problems in public housing estates due to the concentration and also that, when you break up those housing estates, although that is a good objective, it can lead to social dislocation and local stigma in the community. You said that, on balance, you think it is the right thing to do to break up those concentrations of public housing estates. That is correct, isn't it?

**Ms McIvor**—Yes. I have mixed feelings about it and that is why I struggle to actually say yes. Having worked on the public housing estate in Minto I was actually quite touched by the community cohesiveness of

that region, even though people on the outside look at it differently. I would say that 10 per cent of that population was problematic; 90 per cent were doing it hard. So I have mixed feelings about the breaking up of public housing estates, but I do think that there is a lot that could be done if we could be resourced to actually integrate them better into private housing. If we actually had available workers out in the field that could actually integrate them, it could be a lot more positive. Often public housing estates have a lot of community development projects and have people working within the area. The residents get engaged and then they move to areas where nothing is happening and become very disengaged. So I think a lot could be done to actually move that to a place where I would say, yes, I would support that. Regarding the current place, I have a bit of a mixed view because there is nothing to support that move, which means that they are literally left to deal with it themselves, and that is not always successful.

**Senator FIFIELD**—Whereas, in the more concentrated public housing estates, the support is there from the other members of the community?

**Ms McIvor**—Yes, there is. Also, there are often community development projects and funding put into those regions because they are technically disadvantaged. We are concerned that the spreading out of disadvantage could affect that funding as well and the support that they still need may be lost because their communities are no longer labelled as disadvantaged.

**Senator FIFIELD**—If you had to pick one, which do think is the better model: the more concentrated developments or the more dispersed?

**Ms McIvor**—In new developments I think it needs to be dispersed. Regarding the current developments I am a little reluctant to just tear them apart. That is how I feel about it. If it started off being dispersed, I would recommend that that would be the way to go, but they actually rely on that mechanism in public housing to survive and they have grown up in that environment. It is about the fact that the government made a decision to set up this sort of model.

There is another issue around public housing. For example, when Minto was built back in the seventies it had no infrastructure and very little building—nothing. Now that estate has everything it needs for those people to get employment and access to services, they are actually being pulled out because the land value has increased. They are now being put into areas where there is very little infrastructure. I feel that it is almost a kick in the teeth for them, because they literally lived there when there were barely roads and now that decent infrastructure and employment have come to the region they are being pulled out of those areas because the land value has increased.

**Senator SIEWERT**—I would like to develop this a little further. I am from Western Australia, so I do not understand your terms for public housing very well, although they are probably very similar to our terms. Is the public housing in the Minto estate houses where people are living in public rental accommodation? In Perth we also had a situation where low-cost housing was built by what we used to call the Housing Commission. People got very low interest loans to actually get into what we still called public housing but on the basis that they were buying their homes. We also had people in low-cost rental accommodation. Is the Minto estate still in public rental accommodation, or is it a situation similar to the one we used to have in Perth where you would go into low-cost public housing that you could buy?

**Ms McIvor**—I want to mention that Minto is one of five estates and all the estates have the same issues. The majority of our public housing in this region is public housing that they rent. They are moving a little more towards the purchasing of properties, but what they are finding is that there are problems with the zoning of the properties. The way that the tenures have been developed is that they often cannot sell off some of their houses to the current residents. The reality is that a lot of the public housing in this area is high density, and they want that gone. They are actually demolishing them. So they do not have the opportunity to purchase. There are very small pockets where people are able to purchase, but it is quite small in comparison with the amount of public housing that we have.

**Senator SIEWERT**—We have had a similar situation in Perth, where they have been selling off the higher density properties. The same thing is happening where people have been forced out and are not being given alternative low-cost accommodation to go to. The value of the properties where they were living has skyrocketed and so you are getting a whole new generation of higher income people coming in. Is that a similar situation?

**Ms McIvor**—Yes, it is very similar to the situation that is happening here. I keep referring to Minto, but I want you to remember that there are five public housing estates. I know so much more about Minto because I

worked there myself for years. For example, Minto will have 20 per cent public housing, 10 per cent of which will be two large aged-care complexes. So really 10 per cent of the rest of the housing is public housing and the rest is high-cost housing which will cost at least \$400,000.

**Senator SIEWERT**—So when people were living there they could easily access the community services that were being delivered into that area and now, if I understand correctly, people are being dispersed into other private rental accommodation and they are not able to access those services. Is that because the services are actually disappearing? Is local and state government investment in those services decreasing?

**Ms McIvor**—A large proportion of our services are funded under a program called the Community Services Grants Program. That has not had an increase in funding since 1989. We currently have a business plan in the Treasury at state level which is being held up because it is under DOCS and they have a child protection inquiry currently on and the Treasury is refusing to pass that. So we have services that used to provide services five days a week that are now reduced to two or three days because of the increase in wages, insurance and rental.

One of the other problems with services is that councils are under extreme pressure because their own properties are getting older and now need high levels of maintenance. The councils cannot afford to keep up with it, so they are cost-shifting that to the community services agencies, who cannot get funding for that rent. We can no longer get what we used to call peppercorn rent, which is a very cheap rent. We have to pay commercial rent prices.

Some services get no more than \$40,000 a year to survive on. We are having a significant reduction in services. So we are fighting that, but what we are concerned about under the CSGP project, which I mentioned, is that DOCS refused to put communities in unless we put the word 'disadvantaged' in front of it. We did not want the word 'disadvantaged' in front of it because we saw the problem of spreading disadvantage. Suddenly Currens Hill, which is where I come from, is not a disadvantaged community, technically. When we go for funding, does that mean that even though there are pockets of people there, are we not going to be able to get funding? We are quite concerned about those sorts of issues: (1) we are under-resourced already; (2) how are we going to be affected when we have large areas of private housing that is quite expensive for high-income earners? Yes, we have grave concerns about the future of human services and how that is going to pan out. We struggle significantly around funding.

**Senator SIEWERT**—Concerning expanding new developments, my understanding of what we were told yesterday is that the houses being built are the styles and types that people want. In other words, people still want the big houses that are being built in new urban developments. From what I have heard and from what you have just said, it seems to me that there is an urgent need for smaller scale, more affordable housing.

**Ms McIvor**—It depends what area you are talking about. It depends where you were yesterday. We are out on the fringe of metro. People think we are not in metro, but we have reached a point where we are feeling the pressures of the metro issues. Because we are on the fringe, we predominantly had three-bedroom-plus houses out in this area—because of the land space and the way it is being developed. We now have lots of single parents, a growing aged population, single people. In this particular region—it might not be the same across the whole of the Sydney basin—we need smaller dwellings. Traditionally we built bigger dwellings in this area because land costs were cheaper in the past. It might be different in other areas of Sydney, but in this area we certainly do need smaller properties.

**Senator SIEWERT**—Yesterday, we heard a number of witnesses, particularly NGOs, say that they do not like the First Home Owner Grant, that they would rather see the money not disappear but be used in a better way. What is your opinion?

**Ms McIvor**—My opinion is that too. As I mentioned in my opening statement, we have a lot of people seeing that as a carrot to get a mortgage, to get a home, to get some security. One of the problems with private rental is the length of tenure, and I would like that to be looked at. We have transitional communities because leases are often for six or 12 months and people are moving endlessly. When they are offered the First Home Owner Grant, they think, 'This is an opportunity for me to set up home, to have some security,' but they do not have the income to cover their mortgage. If that money could be bucketed and more innovative projects surrounding these people could be looked at—maybe homeownership through community housing cooperatives, those types of things—I think that money would be better spent. We have quite a problem out in this area. One of your terms of reference is around the financial institutions. We have a lot of examples of where mortgages are being packaged and marketed to low-income people who cannot afford those mortgages. They are being targeted quite deliberately at that level.



Deregulation of the financial institutions in the eighties had a significant impact on low-income people. Not only do those people sign up for things they cannot afford but also they often do not understand the paperwork they are signing. We think there needs to be much greater regulation around the financial institutions because they are a business trying to make money and these are low-income people. You could look at some of the packaging as almost preying on people because they see it as a way out of either continuous transitional rental housing with high costs—they are getting nowhere—or public housing which is non-existent. It is a like a carrot that draws them and the homeownership stuff with this one-off payment is not helpful. It does not do much, as you can understand, and it does not cover a lot of the costs.

**Senator COLBECK**—I have a couple of quick questions. You mentioned that housing is in deficit at the moment. We heard about this yesterday and the day before. Particularly yesterday there was a view that the situation is currently unsustainable, so your comments in that respect would tend to bear that out. Do you have any figures on the quantitative reduction in housing stock? You talk about the state changing significantly its percentage of public housing, but do you have any hard numbers on the reduction in stock in the region?

**Ms McIvor**—Like I said, I had two days notice to prepare for this, so I do not have that information here, but I could get that for you if you were interested in that.

**Senator COLBECK**—If you could take that on notice for us that would be fantastic.

**Ms McIvor**—I can certainly get that for you. So you are after how much it has been reduced within this region. I can certainly get back to you. I did not have time to get that. I want to go back to a comment that you made earlier. We see a great need for the Commonwealth-State Housing Agreement to be reviewed. We have felt quite significant pressure because we are aware that the state has a loan with the Commonwealth for the state housing agreement and there has been no give. We see the federal government with a surplus and we see state government housing with a severe deficit. We see that housing is such a need. People without housing cannot get up on their feet and participate in society. We would advocate for a review of the Commonwealth-State Housing Agreement and how that is addressed.

**Senator COLBECK**—Do you have any idea of the residual debt?

**Ms McIvor**—I cannot give you exact figures.

**Senator COLBECK**—We could probably find that out.

**Ms McIvor**—I am very aware that they were in deficit last year and this year they actually took a loan out to deal with their maintenance issues. I can get figures for you.

**Senator BARTLETT**—I presume from your description of the role of your group and the issues you have raised that you seek to engage a fair bit with the state government about a lot of the issues to do with services for housing estates, particularly transport.

**Ms McIvor**—Yes.

**Senator BARTLETT**—How have you found that process working? As we all know, we are moving beyond the blame game. I am not trying to get into a state versus federal thing; I am just trying to get a sense of the picture.

**Ms McIvor**—Our dream would be that the state and federal governments work much closer together, along with local government. Like I said, we struggle to get hearings. We can see the need and we can clearly give statistics, but it seems to fall into a hole when it gets to the Treasury level. We have had a number of examples in the past where even the state agencies have approved something and agreed with us but when it gets to the Treasury level it gets knocked on the head. It happens time and time again. We struggle with this issue. We spend a lot of our time fighting for things we get nowhere with. I was so excited to hear that we were having a hearing about affordable housing because it has been literally five years of begging to get a voice. My response to that is: we do not get a good hearing from the state government. It is not a blame game. I think that the state, federal and local governments need to be working much closer together because they have the information there and how they operate together is a significant issue.

Even work across agencies within the state and federal framework is a problem to us. We find that, particularly at state level, one state level agency will do something that is actually quite detrimental to another state agency's aim. An example would be that we have the child abuse and neglect inquiry at the moment at a state level but then we have the Welfare to Work arrangements putting pressure on single parents with large families by saying 'You must work.' No wonder children are neglected! Those two do not work together. So we constantly sit across the state, federal and local government agencies' situation, trying to marry it all. We

see that there should be a role in government for doing that, because they are often working against each other and it is problematic.

**Senator BARTLETT**—Do you have a rough idea of the number of people in the regions that you cover who are living out there because the housing is cheaper but who have to commute all the way into the city for their work?

**Ms McIvor**—We definitely know that 70 per cent of people in Wollondilly travel out of the region. That is both for education and for work. I have statistics, but there are nearly 5,000 children between the ages of 12 and 17 in Wollondilly and one high school, which can only accommodate around 1,000. So they all have to travel to Elderslie. The figures for Camden and Campbelltown are bit lower than those for Wollondilly, but probably at least 50 per cent would travel out of the region. The problem is that we are building large housing estates for high-income earners, but we have no or limited professional management jobs in this region, so they have to leave to get work.

**Senator BARTLETT**—And the public transport options are not particularly fabulous?

**Ms McIvor**—They are shocking. Campbelltown is probably the best resourced around public transport, but even in pockets of Campbelltown public transport is inaccessible. Camden, Wollondilly and Wingecarribee have very limited transport. They are all CountryLink trains. They do not have electrified services. They probably have four to six train services a day, and they only pick up in some of the 17 villages in Wollondilly, for example. It might pick up in two of them. So the rest are all in areas where there is not even a public bus service. They say that, if you are a schoolchild or if you go to work at that time, you are lucky, because that is when the only buses are out in the Wollondilly area. So people are totally dependent on cars.

I did quite a depressing consultation with the aged population during Seniors Week last year. They were sitting in large properties and they physically could not get to a bus stop. There was no way that they could move from their property, so they were completely isolated. They might have lived out in those properties for 20 or 30 years but have aged and so now are unable to drive a car and can no longer go anywhere. So we have major problems with transport out in this region. We only just got the bus review—which has been happening in the Sydney basin in the last 10 years—in December. And that is only for Camden and Campbelltown. It does not cover Wollondilly. In Wollondilly it is going to be at least another two or three years before they are even going to look at bus transport and trains. So we have quite major problems with transport in this region.

**CHAIR**—Ms McIvor, this has been a very interesting session for us. Thank you very much for coming today and for all the information you have been able to provide and the material you have given.

**Ms McIvor**—I have provided a lot of statistics to back up a lot of what I said because I knew I could not get through all the statistics.

**CHAIR**—Indeed. It has been a very useful engagement for us. We appreciate your time and your assistance in coming here on behalf of Macarthur Community Forum.

**Ms McIvor**—Thank you, and thank you for providing this hearing on housing affordability. It is long awaited.

[10.06 am]

**BERRYMAN, Mr Colin Andrew, Program Coordinator, Western Sydney Regional Organisation of Councils**

**FINGLAND, Mrs Sharon Ruth, Assistant Director, Western Sydney Regional Organisation of Councils**

**HAY, Councillor Anthony (Tony), President, Western Sydney Regional Organisation of Councils**

**CHAIR**—Good morning and welcome. Thank you very much for attending our inquiry this morning. Do you wish to make an opening statement?

**Councillor Hay**—I am the President of the Western Sydney Regional Organisation of Councils, which is an area representing greater Western Sydney. We have an apology from Alison McLaren, the junior vice president, who is our housing and built environment spokesperson. Unfortunately, she has other duties that have taken her away from the meeting this morning.

**CHAIR**—I understand. Thank you very much for coming to meet with us here in Campbelltown. We look forward to an opportunity to hear your views. Would you like to make a brief opening statement? We will go to questions after that. We do have the benefit of your submissions.

**Councillor Hay**—Just to put WSROC into perspective, it represents the councils from Auburn, Bankstown, Baulkham Hills, Blacktown, Blue Mountains, Fairfield, Hawkesbury, Holroyd, Liverpool, Parramatta and Penrith. That area is an area of greater Western Sydney which, combined with the Macarthur Regional Organisation of Councils, covers a population of 1.8 million, or one in 11 residents in Australia. It is an area containing 40 per cent of the population of Sydney. We see it as a very large responsibility to advocate for the needs of Western Sydney and, as such, WSROC is celebrating its 35th year in existence as an advocate for Western Sydney and for equity issues in Western Sydney.

In the context of today's Senate Select Committee on Housing Affordability in Australia hearing, WSROC has made a number of submissions. I would like to draw to the attention of the Senate committee that we started research in 2002 on housing affordability. We completed a report in 2004, with a follow-up report in 2007 which updated the 2004 findings. Mr Berryman was the author of those reports. We have also had an internal working report for the board dated June 2007, which has been included in your kits but has not been subject to broader media release.

**CHAIR**—Can I just clarify whether that is meant to be a confidential document that you are providing to the committee?

**Councillor Hay**—I am happy for that to be released.

**CHAIR**—Because if it is accepted by the committee then it becomes a public document.

**Councillor Hay**—That is right. I am happy for that to be released now.

**CHAIR**—Thank you.

**Councillor Hay**—It was an internal working document at the time, June 2007, for the board only. There are a number of recommendations which we feel that we would like to draw to your attention in regard to the overall requirements for meeting housing affordability. I think Sharon will speak more fully on that. Colin has a lot of technical data and support information and may be able to answer questions. Basically, that is our introductory statement. We would welcome questions unless, with your leave, Sharon would like to add something to the opening statement.

**CHAIR**—I think that might be helpful.

**Mrs Fingland**—We would like to draw your attention to the fact that, whilst the current crisis in housing affordability and associated issues relating to financial stress and mortgage defaulting are national problems, those problems have particular impact on our region. Maps from *Sydney ... A Social Atlas* show the proportion of households in which housing costs consume more than 30 per cent of household income, and they demonstrate the high proportion of communities in Western Sydney that are experiencing housing stress. 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.

Successive federal governments, and society in general, have promoted homeownership as a means of attaining financial security. But, as a result, many of these families are highly geared and very vulnerable to further rate increases and potential job losses. And, if there is a significant slowing of the economy, particularly in the case of outer Western Sydney, the people there are very vulnerable, particularly if there is a significant increase in fuel prices. So what we are trying to say in our submission is that both housing and transport stress are now combining to cause high levels of community stress in Western Sydney.

The operation of the different housing markets across the region is also poorly understood. In addition, there is little analysis of the specific housing needs of families with children, of single parents or of older people and, as a result, many of the housing models and targets that are currently used do not address their particular needs. In addition, we have had pressures for urban consolidation that are leading to poor housing and planning outcomes.

So we would like to discuss how the federal government could respond to these issues in addressing housing affordability, and particularly how the high levels of housing stress in the region could be reduced. We would also like to talk a little bit about innovative approaches to housing provision which we think could increase housing choice, adaptability and a greater social mix.

**CHAIR**—Thank you, Mrs Fingland. Mr Berryman, did you wish to add anything at this point?

**Mr Berryman**—What I wanted to do here today was to give a little background on the reports that we have prepared, what they were for and what they said. I want to qualify that at the start by saying that I am not actually responsible for that role anymore. I have come along today because I wrote those reports.

**CHAIR**—We will not hold you responsible.

**Mr Berryman**—What I suppose I am getting at is that it would have been good to continue with that analysis. Since a final report was prepared in early 2007, the logical thing to do would be to look at the data now, seeing the situation that has arisen over the last 12 months. But, unfortunately, that was not possible because of the vacancy in my previous position. So I can give you some background on the research that was done up until mid-2007, but you are probably well aware of the data since then in any case. As you have said, you have received the reports, with the exception of the one from June 2007, so I will not repeat that information in detail.

I might just draw a couple of points out of the report that was written on 14 March. The points are these. The housing affordability crisis is something that is very well understood by and well known to people in Western Sydney, even if it is in the wider view seen as something occurring in the very high-value property suburbs in other parts of Sydney. In particular, the percentage increase in housing sale prices and costs was greater in many of our areas on a proportional basis than it was in other parts of Sydney. And the areas that were traditionally the lower cost areas actually increased their housing costs at a greater rate than other areas. So there was a levelling, and a loss of the very low-cost housing areas, particularly in the south-west.

The other thing I would point to is that, while median house prices decreased at the end of the period 2004–06, this was more exacerbated in Western Sydney than the average for the state or for Sydney. I draw your attention to a graph on page 5. There are three lines on that graph showing the house price average for New South Wales, for Western Sydney and for Sydney overall. You can see from that graph that, at the beginning of the housing boom, house prices for Western Sydney were similar to the state average. As the housing boom took hold, that diverged and Western Sydney's prices approached Sydney's. As the boom turned to bust, they returned to close to the New South Wales average. So it illustrates graphically that the impacts of a boom and bust are more apparent in our region than in New South Wales or Sydney as a whole. We all know that, since 2006, everything has taken a further downturn, but I do not have the data with which to compare that.

The other point I would make is that we prepared these reports out of concern not only for homeownership affordability but also for rental housing costs, because we could see that rental housing was also costing a lot

more for Western Sydney residents. Now the data shows that the cost of rental housing did increase over that period but not as much as home prices and less than the average income increases. Our analysis took the approach that, rather than trying to assess affordability in terms of an arbitrary figure of 30 per cent of an income for the second two quintiles of the population, we needed to look at it in terms of its comparison to income changes. The analysis showed that housing price increases were vastly in excess of the income changes, in the order of 60 per cent compared to 30 per cent. That was not the case for rental housing in 2006, but we are well aware that that has changed and rental costs have significantly increased since that time. But, as I said, I do not have the data to give to you.

The report we prepared in 2007 was a status report for the internal consumption of the WSROC board. It was not status in terms of the data on prices; it was status in terms of the strategies that are out there that support affordability. So it was an overview of housing policy and funding options, which I am sure the committee is well aware. That was the purpose of that report, but it was intended to give a background around policy that local government and WSROC could consider around affordable housing. The data analysis ceased in late 2006-early 2007. If the committee has any questions on that data, feel free.

**CHAIR**—It seems to me that the theme in your submission—not the report so much—is very much about availability of suitable housing to match the needs of the communities that you represent, an emphasis on the changing demography from that inner ring of Western Sydney to the outer ring of Western Sydney and how that is quite qualitatively changing from what we understood, historically, Western Sydney was like, and I was interested in some of the observations that you made out of that. On page 2, when talking about the vulnerability to oil price rises and people moving, you said:

Few of these households will find the housing forms currently offered by the industry suitable for their needs.

You also say on page 5, when you talk about the issues around land supply and what needs to be done:

A more diverse range of housing and a greater social mix should be encouraged in both new release areas and older areas undergoing urban revitalisation, to ensure that new developments cater for as wide a range as possible of different socio-economic groups.

I am wondering how you engage with developers to encourage a similar attitude in them. I note that in an earlier paragraph you talk about land being held back by developers because they cannot get the prices they want. They are in the business of making money—nobody is criticising that; that is a fact of life. We have had the Urban Development Institute of Australia in twice in the hearing process so far, both at a national and at a state level. I am wondering how you talk with developers about encouraging that attitude and that approach and then engage with local government—I know what WSROC is: you represent councils in the area—to encourage them to take that sort of planning approach. What potential do you think there is for success in all of that? It is an ambitious suggestion—an important one, I think, but an ambitious one.

**Mrs Fingland**—I would like to talk about my experience when I actually worked in local government. I worked for 10 years for the Baulkham Hills Council as a manager of strategic planning dealing with the north-west sector, which was the major release area at the time. What we attempted to do there was to talk to the developers and explain to them the limited approach they had to market research in terms of what type of dwellings they were supplying. Whilst they claimed they did market research, in fact all they did was an analysis of what sold well last year. They kept repeating the same product. The problem with that was that in this urban release area they were very much producing exactly the same sort of dwellings for the whole area which were very much targeted to families with young children particularly. This was a model which actually for many years was relevant in Western Sydney. That is where families with young children went. But in more recent years, particularly because of the cost of housing, that has changed. Those areas are now accommodating people with older families, people trading up, second- and third-time buyers, and quite often elderly people who want to move to the fringe if their families have moved there. So the nature of the housing stock that was being produced did not actually fit the current demographics of the area, and we encouraged them to look more at research in terms of that.

We were also concerned by the fact that, as you are probably aware from the press, there was a lot of discussion of the scale of the housing particularly at the urban fringe—often referred to as ‘McMansions’. Part of the reason for that is that those areas are sort of becoming enclaves where every house has to be large whether or not the household it is accommodating is two people or five people. We pointed out that they actually have restrictions. They do not limit the size of the housing but rather mandate that you actually have to produce large houses in those areas. So they have a homogeneous approach to the housing estates. This was causing problems because it was not actually creating opportunities for housing which would encourage a

social mix in those areas. That was particularly difficult for older people who wanted to move there if their family had moved there to have the informal family support that that provided but did not want to have to build big houses in order to live there.

**Mr Berryman**—There are two points that I would like to make. We do actually engage with developers over these issues, and there are some developers out there who are doing this job reasonably well. As an example of that, in 2002 we conducted a seminar between local government and developers—I have forgotten the title of it now; it has just gone out of my head—where we brought in Bill Randolph from UNSW.

**CHAIR**—He appeared as a witness for us yesterday.

**Mr Berryman**—Basically we looked at the housing market and what could be done in terms of diversity and affordability for new development housing. A number of developers came along, understood that approach and contributed to that debate. Subsequent to that we prepared these reports back in 2002 before we were actually looking at it in terms of affordability.

We have just completed a major report called the Western Sydney health impact assessment of the regional development of Western Sydney. That took a very broad view of health impact assessment and part of that was looking at the built form and residential development. That process involved a reference group that drew on development interests, including the UDIA, the Property Council of Australia and a number of principal developers. There is a dialogue out there amongst those groups where those issues are well understood. An example I could give of that—and I do not like giving plugs to particular companies—is Delfin Lend Lease. That seems to be a company that has taken that on board. If you look at their developments at Merrylands and at Ropes Crossing then you can see a diversity of housing form, a range of affordability and an approach around community services and community buildings that is close to what we would argue is the appropriate approach.

Without being in the industry and understanding what the market issues are around being able to do that or not being able to do that, I would make the observation that Delfin generally develops large blocks of land through a very complex and well-resourced master-planning process. That may not be possible for development everywhere, because of land scale and things like that. I suppose it is something to look at in terms of how the federal government could support urban management and urban development in encouraging a large master-planned approach to land development because that, in the recent past, has been able to deliver the sort of diversity of housing that we are arguing for. Another example I can give you is in Blacktown. There is a Landcom development at Blacktown also. So Landcom is of course another player that is very interested in delivering housing with this housing mix and with a community development focus.

**Councillor Hay**—I would like to add to that. With the master-planned developments there is an opportunity to engage with the developer at local government level for what is known as a developer agreement. This replaces the section 94 agreement, which has recently been rather contentious in New South Wales, as to where those funds should go in the future. Section 94 funds are important and developer agreements are equally important to be able to engage and look at the opportunities for developing a sense of community around these master-planned developments. It gives us an opportunity to think a bit further forward as to how to relieve developers of some of their infrastructure component costs and the loadings that go into blocks of land and things like that. Rate pegging in New South Wales seems to be a hindrance to being able to more or less socialise some of those community costs. They get loaded up onto these master-planned developments. That is one of the areas that I am sure you would have heard about from UDIA and other developers. The infrastructure costs are not able to be necessarily borne.

If you were to put a public library in place, for example, that is seen to be something that would service a community of 200,000 perhaps. So they are looking at ways of spreading that across the whole rate base. That is a fairer way to do it because in effect that whole rate base is able to have access to some of those community facilities that are there. If rate pegging were lifted in New South Wales and local governments could determine the mix of the sort of funds that they need from the sort of services that they need to provide—and for the early implementation of infrastructure on greenfields sites, particularly with growth area councils where the master planning of new centres occurs best—then I think there is an opportunity there to be able to reduce the impacts on new developments and hence improve housing affordability at the new housing level.

**CHAIR**—I have one other question in terms of existing communities before I go to my colleagues. Under the heading of ‘Affordable housing in Western Sydney’ on page 4, you talk about a pronounced worsening in affordability in the traditionally more affordable LGAs. Do you have figures which show what the levels of

homeownership in those LGAs were, say, 10 or 15 years ago versus currently? Has the proportion of ownership to rental changed significantly? Is that something that you can identify?

**Mrs Fingland**—We do have that information. I have not got it here with me.

**CHAIR**—Would you mind taking it on notice?

**Mrs Fingland**—I can take it on notice and send you that information. I can certainly tell you that the proportion of people now in private rental accommodation has increased significantly. One of the things that I would like to draw to your attention is that there are two private rental markets in Sydney. There is the Eastern Sydney upmarket private rental, but in Western Sydney an awful lot of the older housing stock, such as the three-storey walk-up flats that were built in the fifties and sixties and a lot of the old fibro dwellings, have actually moved into the private rental sector. They are often owned by people who are absentee landlords who do not actually live in the particular area. That is a particular issue, particularly for people in low-cost rental housing.

We have a situation now where we have quite vast tracts of Western Sydney that are actually dominated by private rental housing—great concentrations of that. They are also the areas where the demographics are very similar to the demographics of the people in the Department of Housing, but in fact the people in the private rental housing have not got the welfare support that is provided for the people in the Department of Housing. So we are getting this increasing problem for people in Western Sydney in private rental housing. It is a growing problem, and it is adding to the growing divide between the haves and the have-nots in Western Sydney.

**CHAIR**—What I found interesting—and I suspect Senator Hutchins has seen the same thing—is that in the middle band, which you talk about in your submission, there is a significant exodus of families with children to the outer band and then, probably, larger houses, more expensive mortgages and everything that goes with that. It means that the lifeblood of the middle band is sucked out. In relation to schools, I opened a soft-fall area—I guess I will not be doing that so much anymore, Senator Hutchins—at a school in what you would call the middle band halfway through last year. It is a very large school, on a very, very large site, with a diminishing school population, and they are not sure how they can sustain themselves. It was a public school—a state government school.

**Mrs Fingland**—At the same time, with the number of families going to the fringe you have the added need for new infrastructure at the fringe to support that.

**CHAIR**—Exactly, which is not in place.

**Mrs Fingland**—The other thing that sucking the family households out of those older areas is doing is making for more unstable communities in those areas.

**CHAIR**—More transient communities, you mean.

**Mrs Fingland**—Much more transient, and that is causing major social problems in itself. So we are finding that we have a combination of an ageing housing stock in those areas—some of it is getting almost obsolete now—ageing infrastructure to support those communities in those areas and a concentration of people who are single-parent families, the aged, single people and things like that.

**CHAIR**—And issues to do with ethnic diversity and everything that goes with that.

**Councillor Hay**—Just to add to that, with that move you have a change in transport needs. What is happening is that the component of people's household budget used for car ownership and running of motor vehicles in the outer areas, where there is a lack of transport infrastructure, increases. They become much more personal transport oriented and dependent. As those children grow up the first thing you get a child out in Western Sydney when they turn 17 or 18 is a motor vehicle, which just adds to it. When you have a look at the cost to their disposable income, as against what they hope to be able to afford for a deposit for housing, it becomes even more impractical for them. So housing affordability does become important.

Just to pick up on what Mrs Fingland indicated about the rental accommodation, what we are seeing is anecdotal evidence from the New South Wales Sheriff's Office which is coming out very strongly and showing that the number of evictions, as well as the number of repossession, is growing at an alarming rate. We are actually seeing this displacement of people who have had an investment in their house, and they are now losing it to repossession. That is an interesting statistic which I would like to welcome—

**CHAIR**—Is it publicly available?

**Councillor Hay**—I think you would be able to get it from the New South Wales government—the Attorney General’s Department. I think that it would be available for you.

**CHAIR**—They declined to join us yesterday, so we are not sure whether they are going to give us any information!

**Councillor Hay**—I think you would be able to get that information.

**Senator BARTLETT**—I want to touch on the broad issue of private rentals in general, not just evictions, because certainly, based on some of the evidence we heard yesterday, if you are talking about the biggest areas of affordability stress, it is currently in the private rental sector, without diminishing what is being felt by some in other areas. In your original submission to us, where you referred to specific issues raised by the inquiry, you said:

There appears to be the perception that ownership in its current form is the only form of desirable housing, whereas surveys indicate that what people really want is security of tenure.

I have a couple of questions arising out of that. Firstly, where you say ‘surveys indicate’, do you have some surveys you can point to? Secondly, when you talk about ‘security of tenure’, I assume that you are talking about security of rental as well as security of tenure for renters—and I will go to your point about evictions. I am not fully aware of the tenancy law in New South Wales, but I understand that it is currently being reviewed. Is that one area that needs to be strengthened?

**Mrs Fingland**—I will answer in terms of the research that we have done. In 2002, WSROC commissioned a study by Professor Bill Randolph, who, at the time, was at the University of Western Sydney. The study was called *Who cares about Western Sydney?* It was a very detailed survey about attitudes in Western Sydney that highlighted some of the issues we spoke about there. More recently, as part of a regional management plan that we developed in conjunction with 14 councils in Western Sydney, and released in 2005, a document called *FutureWest: greater Western Sydney regional planning and management framework*, we actually commissioned, again, Professor Randolph to do a whole lot of census analysis for us. He produced a sociodemographic profile for Western Sydney and he did an analysis of another document, entitled *Shifting suburbs*, in which he looked at how migration was occurring across Western Sydney. So we have a great deal of detailed evidence that we can supply to you on that research which actually backed up our document which we submitted to the state government. It is called *FutureWest: greater Western Sydney regional planning and management framework*, and it is on our website.

**Senator BARTLETT**—I guess that a key part of that, in summary, is that what people want from their home is some stability, greater security and security of tenure.

**Mrs Fingland**—That is right. Currently, there is a perception that it is only homeownership that can provide that. We certainly have evidence that shows that there is not a decline in the number of people wanting to enter into homeownership, but the proportion who can manage to do that is the question.

**Senator BARTLETT**—My follow-on question from that is: would you say it is not logically coherent in a policy sense to try to look at the question of housing affordability solely by looking at barriers to homeownership or purchase price?

**Mrs Fingland**—Yes.

**Councillor Hay**—I think we would agree with that. Just to put that in context, when you do survey people they look at their home—it is not their house; it is their home. That is what that feeling of ownership means to them. It is more than just the bricks and mortar that they have there and their investment in it; it is what their family expects and it is the sense of community that emanates from that ownership. If you break down that ownership and there is displacement, there are very important socioeconomic structures that will then come into play with other costs to the community. Housing affordability—being able to maintain and own and continue to own your home, even in serious problem areas where there is economic decline, housing stress and mortgage and interest rate increases—has a wide-ranging effect and impact. There has to be another way whereby people can remain in those houses because it is not just their house to them, it is their home—and a sense of community forms their opinions on that basis.

**Senator BARTLETT**—Are there specific policy options that can be implemented at local government level, even to provide incentives for people to remain in a locality or in a particular home? Is that a question that councils have looked at?



**Councillor Hay**—With rate relief and things like that, the welfare agencies take the burden as well. I think the banking and finance sector also gives some relief in times of hardship. I cannot speak for the banks, really.

**Senator BARTLETT**—From the council level, which is your area, I am not really sure what is viable. Are such things as rate relief for people who are long-term residents viable or logical?

**Councillor Hay**—It does occur, but it is not going to be the major thing that will support them staying there. It is just an extra hurdle that is removed from them. It is really the cost of the mortgage, the home deposit and the finance. A lot of these McMansions have been ‘cocktail loans’, so it is not just the mortgage. There might be a second mortgage or there might be a credit card that has been blown out to cover the initial payments or the stamp duties or any of the other costs that are involved with homeownership. It is a hidden cost of mortgage stress, because you are just looking at the mortgage component rather than at the credit card component and the other cocktail loans, finance loans, that might have occurred.

**Senator BARTLETT**—I am sure the evidence we have had from property development industry representatives and builders is not a great surprise to you. The housing industry is talking about levies and charges and developer contributions being a big contributing factor to affordability problems—or to costs, anyway. I notice that in your initial submission to the committee you have talked about the actions of the state government to reduce developer contributions, basically putting the extra burden back on local government. Are you able to quantify that in any way? Perhaps you could just give us an example when you say that councils have to bear the brunt. In what ways do you bear the brunt? What sorts of things do you have to fund that otherwise would be funded? As part of that, do you accept the broad proposition that all these taxes and levies, whether state or local government, are a significant reason for affordability problems?

**Mrs Fingland**—I think one of the issues that has been ignored in looking at the rate of land release has been the argument about the different housing submarkets. In terms of the taxes and levies, I think there is a range of broader issues that have not been properly looked at which include further discussion about what proportion of regional infrastructure costs should be placed on the individual owners moving into those areas, because the land values, particularly in the outer urban areas, are rising incredibly quickly. That is partly a result of the extra infrastructure costs being imposed by the state government in addition to the costs that local government imposes through section 94. These areas have a history of underinvestment in infrastructure, so we are getting to a situation where it is WSROC’s view that alternative mechanisms to fund infrastructure, such as using bond issues and betterment taxes and things like that, probably should be investigated in order to deal with this issue because it is becoming a vicious circle. The more governments try to impose taxes and levies, the more house and land packages go up in price, and it is now becoming an untenable situation.

In terms of the ability of local government to do things, local government is required under the Environmental Planning and Assessment Act to encourage the provision and maintenance of affordable housing. But that is a pretty general statement which does not exactly help, particularly for the councils that are subject to rate capping, and there are narrow interpretations of the act. Unfortunately, the state environmental planning policies also limit the capacity of local governments to implement mechanisms in order to retain and promote affordable housing. There need to be legislative changes and perhaps different regulations in the planning system to support affordable housing objectives if local government is going to be effective in that way.

**Senator BARTLETT**—I will throw in a final question and you can fold into your answer anything else you want to say as well. You have a specific statement here:

... while developers complain about taxes and levies, privately they admit that they are withholding ... packages from the market because the prices they get are too low.

I would have thought you would be able to quantify that, at least to some extent, beyond private admissions from developers. When approval is given for a development is there any sort of requirement that it be released within a certain period of time?

**Councillor Hay**—I can give you the example of an area that is known as Balmoral Road, in the Baulkham Hills local government area. It was known as the hole in the doughnut in terms of planners’ discussions on it. It was designed to be subdivided and to provide an infrastructure link on the north-west rail link. It has been contentious for some time. The land was finally gazetted by state government and there was a plan for the subdivision. The owners had an expectation that they would get \$1 million per acre from the developers of the land. The developers have told them that they are just not going to get that price. So this subdivision has basically stagnated. There has been no development occurring there. Yet following the gazettal of the planned subdivision, the local government area of Baulkham Hills has had to pay, so far, up to \$51 million in land

acquisitions because that was what was planned for play areas, community facilities and open space in the overall master plan.

The extent of that purchase for open land will continue, and that is a great cost shift onto that local government area, albeit the state government recognises that and has authorised a \$55 million line of credit for it to make those purchases. But before the developers even touch that area, you have to provide some sense of road structure. There has to be infrastructure for water, sewerage and recycling of water. All of these costs need to be borne by developers. They have looked at the purchase price of the landholding and have just said: 'It's not ready. It's not time and we can't do it at those prices. It's just not going to work.' So we have this large area that is effectively sterilised from development, albeit every hurdle has been met in regard to the state government's requirements to bring that area to market. The developers will tell you anecdotally that it just cannot be done. So there are some burdens and hurdles. Mr Berryman might like to add to that.

**Mr Berryman**—That point stands, I would say. I wanted to add a different point around infrastructure issues, seeing as we have now raised it.

**Senator HUTCHINS**—This bit of land has got a road through it and sewerage ready and lines ready and there are no houses on it because they will not sell it.

**Councillor Hay**—The property owners want to sell it. They have an expectation which is higher than the market price for the land. Because of the property owners who were on five-acre blocks there, some of the area has already got sewerage and water facilities. However, they would be inadequate for the estate that is proposed. There are some roads there but they are only the major roads and there needs to be feeder roads.

**Senator HUTCHINS**—So Baulkham Hills has had to put aside this money in anticipation for this to occur?

**Councillor Hay**—No, Baulkham Hills has had to purchase the open space lands already, and that has run down their reserves, which does not allow them to provide other open space areas.

**Senator HUTCHINS**—I will come back to that at some point.

**Senator COLBECK**—A lot of what I was going to ask has already been dealt with by Senator Bartlett. It seems to me that there is a mix of costs being imposed. There also appears to be a lot of effort going into planning and strategies but it does not seem to be necessarily broadly coordinated or providing an effective means of getting to the solution that might be required across a broader area. That is the sense that I have been getting over the last couple of days, particularly here in New South Wales.

**Councillor Hay**—I think it would be interesting to have an opinion from the Growth Centres Commission. They are a coordinating authority for some of this new land release area. I believe the New South Wales parliament yesterday introduced a bill to restructure the Growth Centres Commission so there will be more planning coordination in the future using the—

**CHAIR**—That is the north-west and south-west sectors, isn't it?

**Councillor Hay**—Yes, it is. They are putting in place a more coordinated approach with the chief executive officers of the Roads and Traffic Authority and the Department of Planning. The Director-General would probably head that up, and other interested and important areas will be impacted on by that.

**Mrs Fingland**—I think there is a problem with the planning for metropolitan Sydney in that, for many years, there has been a great deal of emphasis on producing plans but a lack of understanding that, to produce the plans, you also have to have a sensible program of the development of the infrastructure. The two have been completely out of sync. One of the things—

**CHAIR**—Are you characterised as a radical, Mrs Fingland, for saying terrible things like that?

**Mrs Fingland**—One of the problems has been that, to a certain extent, there has been development happening all over Sydney, on numerous development fronts, all requiring infrastructure to support it but with no sensible development program in terms of wheeling out the infrastructure to support that. In the absence of that, it is a very expensive way of undertaking development.

**CHAIR**—Councillor Hay might want to defend his council here—or his members, for that matter.

**Councillor Hay**—I support the statement Sharon has made. I do not necessarily concur completely with it. However, I do support her right to say it. It is not necessarily the view of every council inside the WSROC area. However, the planners inside those councils would probably concur, and I would say that that is a fair statement.

**Mr Berryman**—While there may be deficiencies around the planning process, there is a basic structural problem in that the level of infrastructure required to service new communities is being sought through a mechanism that does not deliver significant funds for that—in other words, a lot of the funds are coming from development and only a small proportion from the state government, and that policy decision undermines all your efforts to plan if the money is not going to be there. We have discussed the infrastructure needs but, looking to the future, I am particularly concerned about the future infrastructure needs for the region as it reaches its carrying capacity for the population of the Cumberland Plain and the region generally. WSROC is concerned about it as well. I have not been able to report on this because it is very recent, but I will get to that in a moment. An example of that—and it is not in the report because I only just got quantified confirmation of this at a meeting on Monday—is the water supply needs for the region. As you might be aware, there is a cooperative research centre looking at water supply for South Creek and the region overall. It is supported by the federal government. It has come to the conclusion that, by 2025, all of the potable water that will be available for Western Sydney will be required for internal domestic use, which means there will be no potable water for external domestic use, industrial use, open fields, playing fields or environmental flows. All that will be available will be what comes out of the sewage treatment plants.

**CHAIR**—Nor will it be available for rural use.

**Mr Berryman**—That is right. That means new sources of supply will have to be found, and that will require major infrastructure expenditure for stormwater harvesting, recycling and things like that. We are looking at a future where population change and climate change are anticipated, so, if infrastructure delivery is already limiting affordability, the situation is only going to get worse. A similar argument could be made about energy. We have power stations in this state that are reaching the end of their life. We have to change how we generate power. Sydney is a major consumer of that power, and the costs of that will be borne by somebody. As I said, we were not able to put this in the report because the information is quite new—particularly the information about water, which I only found out a couple of days ago. But overall the picture seems to be that we need a way to divorce infrastructure delivery from housing affordability in a fundamental way through the intervention of government policy. WSROC is looking for the federal government to engage in urban management to achieve that goal. Unless we achieve that goal, those infrastructure costs will drive affordability off the scale—even compared to where it is at now.

**Councillor Hay**—I would like to add to the point that was just made by Mr Berryman. I think it is clear that WSROC and Western Sydney region councils agree that there needs to be closer federal government engagement. Much has been said about the federal government's Better Cities program of many years ago, which was introduced by Brian Howe. If that model could be brought back, we could address so many of the other issues that are giving Western Sydney a socioeconomic disadvantage. We recognise that the federal government, through Infrastructure Australia, may have some role in this region. We hope to be able to make representations for closer federal engagement because it is needed in this state at this time.

**Senator COLBECK**—I think Mr Berryman's point is very important. It seems that everyone is talking about trying to assist with housing affordability but everything we are actually doing is pushing things in the opposite direction. There needs to be fundamental change in the way we interact to try and change the way things are working. You mentioned rate pegging. I presume that is an imposition on local government by the state government.

**Councillor Hay**—Yes, it is. If there was constitutional recognition of local government, I am sure there would be a funding mechanism that is appropriate for local government. Local government is prevented from being able to do a lot of the work on the cost-shifting they have been burdened with because of a fundamental concept that state governments in New South Wales have had for some time now—that is, they do not want to release the rate pegging. To me, rate pegging is a restriction on market forces. If people do not want their local government to provide them with the community for which they moved into that area then they can go to another area—select another market area—where maybe the rates lower. Rate pegging is an artificial impost on being able to provide communities and choice. If it were applied to some of the infrastructure needs for greenfields areas and infill areas, it would socialise that cost and spread it so that it is not loaded onto the block of land at the front end.

**Senator COLBECK**—In other words, rate pegging is the driver for some of the imposts that have been placed at the front end of developments?

**Councillor Hay**—Absolutely.

**Senator COLBECK**—So the system will find a way to make it work through the imposition of those sorts of restrictions?

**Councillor Hay**—I do not think you would get any objection from any council in New South Wales if the federal government were to come back with an enforceable recommendation which said that, like other states, rate pegging in New South Wales must go. Sharon, can you think of another state that uses rate pegging?

**Mrs Fingland**—I am not aware of one.

**Councillor Hay**—I am not aware of one. It is an artificial impost in New South Wales.

**Senator HUTCHINS**—Councillor Hay, we have had a number of witnesses talk about land inflation. That is a term that Professor Patrick Troy from the ANU used. HIA said that the price of land has gone up exponentially in the last few years. One point put to us by Professor Troy—and I am not sure which authority it would be in New South Wales; you would probably be much more familiar with this—was that, once an area is designated for housing release, that is a green light for developers to buy that land. If they do not want to release it because it is their land then they can sit on it. It sounded similar to the Balmoral Road case. One of the positions put to us by Professor Troy is that the government—and I think he was referring to the New South Wales government; my colleagues can correct me on that—should actively use more the compulsory acquisition of land powers that they have got to ensure that developers release land and do not make interesting profits when they want to release it. Does WSROC have a view about the compulsory acquisition of land?

**Councillor Hay**—Compulsory acquisition is a requirement where there is necessary infrastructure or in the overall planning mix for acquisition of a parcel of land. What we find more of an issue is that in the north-west growth centre area there is a disparate number of small landholders who cannot be parcelled to be able to provide an overall master planned estate. They all hold out for the best prices and they are the original property owners. The developers are only prepared to offer them so much. The developers seem to know what every other developer is going to offer them, so there seems to be an understanding of the value. Whether that is an artificial value or a market value, there is a value that they all seem to be consistent with. That is what sterilised Balmoral Road—the expectation of the landholders in the price from the developers. What the developers are prepared to pay is actually preventing that land from getting on the market.

In south-western Sydney where there was a large area under the one owner, the government did move to purchase that land. That is quite easily done when you are dealing with a large land owner. Where the developers have packaged an estate by taking on a lot of individual owners, they are only too happy to get the properties onto the market. It is the landholding costs which contribute annually. If they are just holding the land or they are just paying options to the landowners, they are lost costs which they bear and they go into the formula for what price they eventually sell each lot for.

**Mrs Fingland**—I think what Professor Troy was referring to was the system that was used in the United Kingdom for the development of the new towns. The government actually acquired the land for the development so that any increase in the land value resulting from the upzoning of that land actually went into the construction of the facilities and services that were paid for by the government. So the individual landowners, whilst covered by just-terms compensation for losing their land as part of this, did not make the enormous individual profits that landowners in Australia make when their land is upzoned. That was actually capturing that value to pay for the infrastructure for many years in the UK.

**Senator HUTCHINS**—He specifically referred to developers holding onto land because they were not getting the price that they were looking for to release it. He put to us that governments should use their acquisition powers to ensure that that would be released. All I am asking is whether WSROC have a view on that through their body?

**Councillor Hay**—I just need to be clear as to whether it is landholders holding onto the land or developers holding onto the land.

**Senator HUTCHINS**—He mentioned developers.

**Councillor Hay**—My feeling is that it is landholders. I am not sure that developers are artificially holding back land from the market, because they have got their burden of holding costs. I think it is probably the land owners.

**Senator FIFIELD**—To follow up on Senator Colbeck, how are rates actually pegged in New South Wales? Are they pegged to CPI or does local government have to make an annual application for a rate rise.

**Councillor Hay**—There is a process annually which comes out with a figure as to what rates are allowed to be increased by. It is somewhere around CPI; that does not necessarily mean it will be CPI. There is also a possibility for local government areas to apply for a special rate, but the special rate may just be for a short term and it may affect only a partial area of the community. They are usually very difficult to get although the government has been making statements over the last four years that they will consider any special rate increases.

To give you an example, one of our councils, the Hawkesbury City Council, needed to provide an extension to the sewerage facilities—or perhaps roads; I cannot remember exactly. They went for an annual rate increase of 11 per cent to meet these known costs and needs that they had to provide. They got, I think, somewhere in the vicinity of 3.8 per cent and were told ‘Don’t come to us with a greater than 10 per cent increase request, because you just will not get it.’

These rate-pegging costs have been borne by local government for some time and that is why some of the submissions that occurred with the infrastructure backlog in local government came up with a figure of about \$7.5 billion of infrastructure backlog that local government just cannot meet. It is not just in Western Sydney; that is in New South Wales. There are a number of reports in regard to that. Local government could commence to address that—where state government has effectively cost shifted to local government—if the rate pegging was a thing of the past, nationally.

**Senator FIFIELD**—So each local government puts in its own request but the state does not give a blanket percentage figure.

**Councillor Hay**—The state does give a blanket rate that it has struck and that is for all councils. It is only for councils that have made a special request.

**Senator FIFIELD**—They can make a special request. So that takes absolutely no account of the individual circumstances of particular areas, because your costs for particular things—your various inputs—are not necessarily going to be the same for a council in western New South Wales.

**Councillor Hay**—I can give you an example of what was referred to in the Baulkham Hills local government area—I am sorry to keep going back to that, but that is in a growth centre area. There was a section of land known as ‘Coopers’s land’ which the Land and Environment Court finally determined was worth \$16 million, but the council and its valuers had it valued at somewhere around \$4.5 million. That goes to the escalation of land holding and land costs, which Senator Hutchins was referring to before. The Land and Environment Court said ‘This is worth \$355 per square metre,’ whereas, 8 kilometres away in another local government area, \$145 per square metre was an appropriate value. As you can see, it is just a natural market force, which is artificially constrained with rate pegging.

**Senator FIFIELD**—That is probably the most absurd thing I have heard in our hearings to date, I must say.

**Councillor Hay**—What I just said?

**Senator FIFIELD**—No!

**CHAIR**—The rate pegging.

**Councillor Hay**—I just wanted to get that on the record.

**Senator FIFIELD**—Not at all. The Urban Development Institute suggested in their evidence that some of the proceeds of the GST be hypothecated for various infrastructure purposes. I am not clear as to whether they were suggesting that that be hypothecated to the state governments. Hopefully not, because the state governments get all the GST revenues anyway, and we have scarcely heard a word about state governments in the area of infrastructure over the past few days. I know that local government has for a while been quite keen on the idea of having some of the GST revenues allocated directly to them. You also mentioned that you think that it would be a good idea if there is some sort of greater Commonwealth involvement in these issues—something like the Building Better Cities program. What would be better: to have some of that GST revenue earmarked to go to local governments or to have it earmarked for something like the Building Better Cities program, given that resources are finite? Which would be the better way to proceed?

**Councillor Hay**—In my view, any hypothecation of funds from the GST to a Building Better Cities program would be more appropriate than hypothecating those funds to local government areas. Local government areas are so distinctly different that you need an overall convening body that can make determinations for an overall city strategy. In the WSROC region, New South Wales has problems dealing with WSROC as one contiguous area. In the metropolitan strategy, they have to divide it up into three

subregions. Then we have to bring it back as WSROC to show how those linkages occur. There are a lot of regional linkages that need to be looked at, and the regional approach that a Building Better Cities program could have would be more appropriate than hypothecating GST back to local government. I would say that I would not stop the hypothecation at that point. I have been advocating for some time that some of the 38.15c per litre of fuel excise should be hypothecated to providing infrastructure for public transport rather than just disappearing into road construction. I have advocated hypothecation for regions, because I know that this region—which has a larger population than South Australia and is the most car dependent area in the country—is crying out for that sort of infrastructure.

**Senator SIEWERT**—We had evidence yesterday—I think it was from Professor Disney—about the use of the housing affordability fund, a new fund announced by the government. He was very strongly putting the proposition that that should be used for investment in public transport infrastructure. Do you think that that would be a really good use of that fund?

**Mrs Fingland**—We have drawn the committee's attention to the connection between transport infrastructure and transport costs and housing locational costs and locational disadvantage. It is certainly something that one could look at. I am not sure that I am really equipped to make any further comment than that. One of the major issues for our region is that because of the locational disadvantage we have not only housing affordability costs but also transport costs and transport stress.

**Councillor Hay**—To supplement that answer, transport costs have an effect on disposable income and how that disposable income is used. If you can alleviate some of that transport stress—which might be worse in the future with the oil price rising and the high car dependency—then you will go some of the way towards providing some relief for the householder. It would help the householder in meeting the banks' interest rate increases due to the interest rate increases by the Reserve Bank.

**CHAIR**—Councillor Hay, I thank you and your colleagues on behalf of the committee for representing the Western Sydney Regional Organisation of Councils. Thank you for both of your submissions, and particularly for the reports, Mr Berryman, which are very helpful for us in terms of the analysis. Thank you for the information that you have been able to provide us this morning. It has been a very interesting discussion. Thank you very much for that.

**Proceedings suspended from 11.14 am to 11.33 am**

**LAWRENCE, Mr Jeffrey Keith, Director, Planning and Environment, Campbelltown City Council**

**TOSI, Mr Paul, General Manager, Campbelltown City Council**

**CHAIR**—Welcome. Mr Tosi, may I thank you again on behalf of the committee for council's hospitality today and for your support in facilitating our meeting. We are very grateful. I invite you to make some opening remarks, after which we will go to questions from members of the committee.

**Mr Tosi**—Thank you. We will probably be a tag team. We were not asked—this is not a criticism; it is an observation—until fairly late in the day to appear before the committee, so we have not prepared a formal submission as such. But I would like to say that I appear here with Jeff at the request of the committee and with the knowledge of the mayor, Councillor Aaron Rule. Campbelltown City Council does not have a policy or a particular resolved position on housing affordability at this stage, although it has been something we have been talking about in recent weeks and which we will cover in our discussion in a minute. Having said that we do not have a formal position, we are very happy to appear and discuss with you some issues that we think may be of interest to you and that relate to Campbelltown LGA as well as south-western Sydney, where there is a lot happening with growth centres and those sorts of things, which you would be aware of.

I will give you some background, and Jeff and I will cut across each other I suppose. Traditionally, we have been recognised by the development industry and the real estate industry as an area that offers a range of housing opportunities across a wide spectrum of the market and, obviously, with a wide spectrum of price levels. We are a classic metropolitan fringe location that has been a focus of new housing developments since the 1970s under various New South Wales government administrations, planning strategies and housing policies. We have been a featured location for public housing since the 1970s and have whole housing estates such as Airds, Claymore and Ambarvale, together with the other large public housing estates of Macquarie Fields, Minto and Rosemeadow. They make up a significant proportion of our housing stock. I do not know what areas I would relate them to in other states, but in New South Wales, and particularly in metropolitan Sydney, we have a significant number of major public housing estates and we would probably share that along with our colleagues at Liverpool and Blacktown and maybe at Penrith—individual suburbs. The proportion of public housing dwellings to total dwellings in our LGA is about 12½ per cent, and that equates to about 4½ per cent in the Sydney metro area. At the moment, the Department of Housing owns 7,203 dwellings in those housing estates in Campbelltown.

Also, compared to the Sydney metropolitan area, we have a higher proportion of low-income earners, households earning under \$500. We have a higher proportion of home purchases to homeowners. We have a relatively high level of home repossessions. Interestingly, at a meeting I was at before this, the chief financial officer, who was here, indicated to me that he has noted that we are getting a lot of advices of mortgagee in possession sales. I do not think that would be much different to the rest of the country, reading the recent media reports. We have a higher proportion under the ABS stats of sole parents, but a relatively lower cost price of housing, both for rent and purchasing.

We will also make a few broad comments about the Campbelltown market. My background is as a real estate valuer and I have a planning qualification; Jeff has obviously got significant planning qualifications. The Campbelltown market is a really interesting market. It is very volatile. It is very susceptible to movements in the market that you would not find in more established areas such as the eastern or northern suburbs. I see Mr Hay is here in his role as President of WSROC; he is also a councillor and former mayor of Baulkham Hills. I think the Baulkham Hills market would be a lot more stable than ours. We are at the lower end of the market in housing price structure as well.

In terms of housing supply, we have significant zoned opportunities. For example, there are approximately a thousand lots yet to be developed in Glenfield, at the northern end of the city. Mirvac is the primary developer of that estate. It has sold around a hundred homes constructed, and further development applications are in the pipeline. There are approximately a thousand dwellings still to be developed in the northern end of the city. Down around Macarthur Railway Station, which is one of six railway stations on the main southern line between Macarthur and the city, there are about a thousand dwellings still to be developed in what we know as Macarthur Gardens, where New South Wales Landcom and Stockland, the major developer, are in partnership. Some 50 to 100 dwellings have been construct there, so there is a lot of potential for more housing there.

Equally as important in the housing area is the existing zoned potential for infill housing in already established residential and town centre areas. It is important to recognise that Campbelltown's basic residential

zone, which is the 2B residential zone, permits villa homes, dual occupancies and town house developments in our main residential zoning. That is unlike many other local government areas which restrict broadscale residential zoned areas to separate detached dwellings and very limited forms of density housing. One of those that I have had some experience with in zoning terms is Wollongong, where the zoning categories are far more prescriptive than what we have had here. As long as I have been here, and I have been here in various roles since 1987, we have had a broader residential zone which accommodates more housing types. There has been considerable take-up of these density opportunities by both the private and public sectors.

The committee may also not be aware of a significant pilot project that Campbelltown has been involved in in one of these housing estates. Over the last couple of years the Department of Housing, Landcom and Campbelltown City Council have entered into a joint venture to redevelop the Minto public housing estate. The Minto public housing estate comprised 1,100 dwellings. Under this redevelopment some 300 have been earmarked for retention and the rest, 800, will be demolished and new homes built, utilising the private sector, and offered for sale. Ultimately, what will happen in the Minto public housing estate is that there will be probably—one in three or one in four?

**Mr Lawrence**—One in four.

**Mr Tosi**—So around 30 per cent will be public housing and the other 70 per cent will be private housing. So we would see that as a good model for these older housing estates into the future where there is an opportunity for redevelopment and an opportunity to salt and pepper, if you will, the public housing among the private cottages.

In addition to the supply of existing zoned housing opportunities, council has expended significant effort and resources together with Liverpool City Council, the Commonwealth Department of Defence and New South Wales Landcom to give effect to the rezoning of the Edmondson Park urban release area. That is at the northern end of the city and forms part of the growth centres area and was the former Ingleburn Army Camp, going back to the Second World War. That project was gazetted in 2006 and will provide almost 7,000 dwellings overall when fully developed. It straddles the local government boundary of Campbelltown and Liverpool, so there is a significant amount of development in our area and a slightly larger amount in the Liverpool area. Significant master planning and infrastructure planning have been undertaken, including the commencement of land acquisition for a rail spur from Glenfield Railway Station around to Leppington. I am sure Tony Hay was talking about the north-west development sector. This is the south-west development sector, so there is a proposed rail spur from Glenfield around to Leppington and, as I said, the land acquisition for that has started. That is incorporated into the south-west growth centre.

The councils involved—that is, at Liverpool and Campbelltown at the northern end—in growth centres in the south-west sector include Camden, Campbelltown and Liverpool. We await the formal release of land by the Commonwealth and the finalisation of some negotiations that we are aware are going on at the moment between the federal and state governments with regard to some environmental and open-space issues. In addition to Edmondson Park we are nearing the completion of exhaustive planning investigations into a future urban release area at Menangle Park, which is again at the southern end of the city, located some five kilometres from the Macarthur business precinct, at the centre of which is the Macarthur Square Shopping Centre—through GPT, but it is a Lend Lease operated regional centre. The release in Menangle has the potential for about 2,000 dwellings, and the documents are expected to be placed on public exhibition later this year.

In an overall sense, not only is council satisfied with the current supply of zoned and available opportunities for new housing but we are committed to bringing many more thousands of new dwellings online over the next decade and beyond, having regard to the subregional planning strategy, which I am sure has been raised with you. That is a state government initiative and includes infill development as well as greenfields. Not unlike Baulkham Hills, we are in both categories—so are Liverpool and Camden. The subregional planning strategy has an expectation of the three growth centre councils in south-western Sydney—that we will provide not only greenfield development but also infill housing—what is commonly referred to as brownfields development. As I said, it includes, for instance, up to approximately 9,000 dwellings in the Macarthur-Campbelltown CBD. Our target in the subregional planning strategy—and Jeff might add to this—

**Mr Lawrence**—There will be 26,000 dwellings over the next 25 years.

**Mr Tosi**—That is not greenfield; that is infill—that is the total.

**Mr Lawrence**—That is the total.



**Mr Tosi**—So the subregional planning strategy has an expectation of Campbelltown City Council to provide an extra 26,000 dwellings over the next 20 years.

**CHAIR**—In addition to the ones you just referred to for those various estates?

**Mr Lawrence**—Basically.

**Mr Tosi**—Glenfield, Macarthur Gardens and Menangle were already in the pipeline prior to the preparation of the south-west subregional strategy. In broad terms, it is a strategy that we support. We are not unused to growth, like any fringe, metropolitan city. All we say to both state and federal governments is: we are only a little council; we are not frightened to buy it, but we need a bit of a hand to cope with it sometimes.

In summary, we would take the view that the issue of housing affordability bears little relationship to the existing and future planned supply of housing opportunities in the Campbelltown LGA. I do not want to get into figures, but the market here is such that we are at the lower end of the market, so availability and release issues are not issues for us. Despite the supply and, theoretically, the availability opportunities for new housing in Campbelltown and the relatively low cost of housing, we consider recent and proposed or current construction levels to be low. We have had a downturn in new developments in the last 18 months to two years. Indeed, anecdotal evidence from New South Wales Landcom indicates that the south-western Sydney housing market is difficult, and it is difficult. It is a bit hard to put your finger on it, but, as I said before—and we have not done any active research recently—in some recent media reports I have seen submarkets nominated in our LGA that have gone down by 14 and 15 per cent. And that is true—we are aware of that. So like Landcom describe it, it is difficult. I suppose I would describe it as volatile. It is an interesting market in that I do not think there are many more like it. Normally in the Sydney metropolitan area the market will stabilise but then, when things get going again, it will move up. Ours actually drops and then moves back.

The other point that Jeff and I would like to make is that, disappointingly, over the last three to four years the uptake of higher density development in our LGA has not occurred, despite council having issued a number of development approvals for what we would describe as multilevel. You certainly would not describe them as high-rise, but you would describe them as multilevel developments. These opportunities exist in the major Campbelltown-Macarthur centre, which is like from here where we are a couple of kilometres up to the Macarthur Square precinct. The area enjoys excellent access to rail, given that Campbelltown station is right outside the door here, and Macarthur station is up there. The New South Wales government, to their credit, are looking to bring in a clearway operation of the urban network. TIDC presently have a proposal to spend approximately \$30 million on Macarthur station for stabling, a new platform and an extra railway line facility. They are also, in conjunction with us, carrying out a master planning process on the other major station, at the other end of our LGA, which is Glenfield station, which is a hub for a lot of residents of south-western Sydney to commute to the city. Journey times from Macarthur station on a through train would probably be in the order of 55 minutes to the city. From Campbelltown it would probably be 55 minutes, but from Glenfield, on the East Hills line, it would probably be 30 or 35 minutes.

The point that Jeff and I make is that there is this location—it is better than the trip on the M5 and all that sort of stuff—and we have approved some multilevel developments, and the uptake rate has been zero, because you can go and buy a little house for probably the same price as a developer could provide a two-bedroom apartment.

**Mr Lawrence**—The issue that we have identified is that we have a significant supply of existing zone housing opportunities in greenfield release areas, brownfield sites throughout our holistic residential areas and, in particular, the high-density zoned areas around the major town centre of Campbelltown-Macarthur and Ingleburn. The zoning is in place, the land is in place, but the market is not taking up that opportunity—even though there is really good access to lots of facilities and services that exist and that are planned to exist in the future. Paul and I would take the view that the paradigm that usually is spoken about by the development industry—that housing affordability is significantly influenced by the release of land, or limits on the supply of zoned land—is not a strong point to be made in the Campbelltown submarket. We think it is the case that those opportunities exist but they are not being taken up.

**Mr Tosi**—The council has not made a formal resolution about housing affordability but we as a council are concerned about the difficulties that our community face with rising interest rates and difficulties with mortgages, with mortgage payments significantly higher than they were when the homes were first purchased. Our CFO has been telling me even this morning that we are noticing a trend upwards in this. But getting onto the subject of this inquiry, it is interesting that you chose to have this meeting in Campbelltown today, because we have been talking about affordable housing in recent months and we are committed to exploring ways in

which we can make a positive and meaningful contribution to improving housing affordability in our own little way and minimising housing stress for our community.

Whilst initiatives relating to interest rates and housing pricing are largely out of our zone of influence, we will in the near future be considering ways in which we can work with community based housing providers to improve the availability of more affordable housing. Just last week, council received a presentation by the D-G of the New South Wales Department of Housing, Mike Allen. The CEO of a very prominent community housing co-op here in Campbelltown, Brian Murnane of Argyle Community Housing—who I think will be coming here today—came to see Jeff and me recently just to talk about what they were up to. In that conversation it came out there has been a fair body of work done on these housing co-operatives which we were not aware of. Brian's operation has been very active here in Campbelltown for many years, but just in a niche market—I suppose that is how I would describe it. He was telling Jeff and me about possible funding sources from the feds and that DOH was getting involved with the co-ops. That prompted me to ask Mike Allen and Brian to come to do a presentation to the council, and they did that only a week ago.

They are telling us that Campbelltown, as an LGA, has been identified as an area of high need in terms of housing affordability and that there is a particularly sound market for community housing co-ops in our LGA. It was Jeff's and my opinion that we needed to get this in front of the council because it was not something that we had talked of in any detail before. I am a little embarrassed to admit to it, but I was not aware of the detail of the operations of these community housing co-ops—the way they were structured and the sort of market they were looking to house, which is not just your lower socioeconomic group but also your middle-income earners in a lot of cases. I saw that as a very positive thing, so we got them in front of the council and the council really wants Jeff and his team to do some papers on housing affordability and what role we can play. A couple of my points have covered that.

As I said, the department and the community co-op themselves have determined Campbelltown as a specific and high-need area for assistance with social and affordable housing. Whilst community housing providers ideally seek cash and in-kind contributions from local councils to assist them in the development of their housing stock, we would be keener to explore ways in which planning incentives might be used to assist in project viability and the delivery of affordable housing stock to those in our community who are in most need. That will be covered in a report that Jeff and his people will be preparing for council in the very near future. I know that one of our councillors who has a very keen interest in affordable housing is coming to the community forum this afternoon—Councillor Julie Bourke.

It is our experience and, we understand, the experience of a number of other local government organisations that the capacity for councils to contribute cash and/or resources such as land to community housing projects is limited. They are doing it in regional areas, but the constraints and demands on our resources are more intense, I would think, than in the regional areas. They would probably argue against that—and I do not mean that in any way other than we have a lot more people and a lot more groups to deal with. We were told how Wingecarribee had put in a significant land holding that they were going to develop. We would certainly be supportive of affordable housing through the community co-op, but we would see other ways in which we would do that.

I suppose the only other thing I would raise would be developer contributions. I do not know whether Tony Hay from WSROC got into developer contributions. Developer contributions are very topical in New South Wales at the moment, and they are certainly topical in council rooms like the one that you are sitting in and meeting in today. There has been a lot of toing and froing between local government and the state government about section 94 contributions, which I am sure have been raised with you before. We acknowledge they are very concerned about the level of developer contributions, whether infrastructure contributions generated by themselves or section 94 contributions generated by us, and their impact on affordable housing.

The only point that we would make in this regard—and it is a point coming from Jeff and me, but if I discussed it with the councillors the vast majority, if not all of them, would agree—is that we are yet to be convinced that adjustments in developer contributions, or section 94A levies or whatever levies they are, would be ultimately passed on to the end purchaser. And we will not see that until the system starts to fire up. But I have worked in both the private and the public sectors and you can be assured that the directors of the board that I would be working for in the private sector would be very conscious of affordable housing. But if the market takes off then the market will be the market and it will settle where it settles. We would make that point as far as contributions are concerned.

I would like to say here that Campbelltown has had an excellent relationship and an excellent ability to negotiate with the New South Wales government. So has Camden and so has Liverpool. We have maintained that the growth centres' councils are a little different to the broader metropolitan councils. And we have been able to get our points across—which does not necessarily mean that we have been successful in having them acknowledged. Well, they have been acknowledged but maybe not agreed to. But certainly we have had an excellent dialogue with the government.

**CHAIR**—Mr Tosi, I do want to give senators a chance to ask a couple of questions if I can, given the time frame.

**Mr Tosi**—I was just about to finish up, Madam Chair. In conclusion, we are pleased to advise the committee that council recognises and intends to formalise a role for itself in dealing with these issues.

**CHAIR**—My timing is impeccable! Thank you very much, Mr Tosi and Mr Lawrence. We do have a short time available for questions. Are there any quick questions to the general manager?

**Senator HUTCHINS**—Mr Tosi, how many homes are on the way to being constructed, all up? You have said, for instance, that Macarthur Gardens will have 1,000; all up, is it something like 28,000 in the next 20 years?

**Mr Tosi**—No, that is the requirement under the subregional strategy over 20 years. Right at the moment we do not have a detailed figure for you, but I would say that there will be 1,000 at Glenfield and there will be 1,000 developed at Macarthur Gardens. There will be another 2,000, potentially, at Menangle, so it would be close to probably 5,000 zoned blocks at Edmondson Park.

**Mr Lawrence**—There will be 2,000, almost, in Campbelltown.

**Mr Tosi**—So it will be probably a bit more. There are somewhere between 5,000 and 6,000 well advanced in the pipeline at the moment.

**Senator HUTCHINS**—What sort of houses are they? Are they all the same sorts of houses? We have heard the term 'McMansion'—

**Mr Tosi**—Yes, we have got them.

**Senator HUTCHINS**—Are they mixed in with all this?

**Mr Tosi**—They are mixed. Of the Glenfield stuff, which is at the northern end—and Jeff will interrupt me if I am wrong—the Mirvac stuff is pitched at about \$350,000 to \$420,000 and is really still going well, selling to the first home buyer or to people who can position themselves into that market. The Landcom-Stockland stuff, which is here in Macarthur Gardens, is a much higher level product than that at probably \$490,000 through to close to \$600,000, and really struggling. At Edmondson Park there is nothing being developed yet. But—and this is in broad terms out of my head—you can still buy houses for \$250,000 in Campbelltown: an older-style smaller house. So that is the range. Yet you can go up to where I live, in an old Lend Lease estate called Glen Alpine—it is constructed around a golf course and is a very pleasant estate—and pay up to \$700,000 or \$800,000. So where that choice is available, it does not surprise me at all that nobody has taken up the multilevel stuff yet. The market is just not there yet.

**Senator HUTCHINS**—With the multilevel stuff, as you call it, what are we looking at there? Three bedrooms, one bathroom? We were told this morning that there is a problem with people constructing and developing out here in that people are not taking into account singles, rather than just couples, and that it is all based on families, to a large degree.

**Mr Tosi**—Just before Jeff answers the question about the quantum, it was interesting to see in the presentation that Mike Allen did last week to the council that the Department of Housing's focus is much more on two-person and single-person families. Whereas in the old days they were providing four-bedroom houses, they are now moving right away from that. I would say I understand what that submission is based on. The new construction would still be more the three- and four-bedroom style.

**Mr Lawrence**—My recollection of the approvals that we have issued is that originally when we started looking at multilevel apartments in Campbelltown-Macarthur, for instance, there were quite a number of three- and four-bedroom units, sometimes over two levels, within the apartment complex. But there is an emerging trend in the more recent approvals for a recognisably greater number of two-bedroom units. Not a lot of people want to develop the one-bedroom units, but there is an emergence of the two-bedroom unit as part of DAs. Having said that, nothing has been built, though.

**Senator HUTCHINS**—Because there is no market for it. Is that essentially it?

**Mr Tosi**—You can buy a house for less than you would pay for a two-bedroom apartment. I do not think the railway station and the access to the city figure in our purchases. In Ashfield or Burwood or those sorts of middle ring or inner ring suburbs, it is good to get a two-bedroom apartment. My own son and daughter-in-law are inner city dwellers. They like to be in Woolloomooloo and they like to walk everywhere. That market has not struck us yet, and it is going to be a while before it does, I think.

**Senator HUTCHINS**—It is not even attractive to investors.

**Mr Tosi**—No. You will see when you come into the area that there is one major high-rise that still has a big crane over the top of it. It has about 170 apartments in it. They are really struggling to sell them. It is not working at all.

**Senator COLBECK**—You talk about all these houses that will potentially be developed. What percentage of those would you classify as being affordable or are they all being offered at market rates? It sounds to me like the unit developments are also being developed at market rates. What percentage of those are being developed as affordable housing rather than being offered at market price?

**Mr Lawrence**—It is difficult to stab that figure. As Paul said before, we are seeing that some of the newer housing stock in Macarthur Gardens and Glenfield ranges from \$350,000 up to \$600,000. The council does not have any particular interventionist role to try and encourage or ensure that a proportion of the stock being produced is at an affordable price level. We are only seeing how the market is reacting to our current planning controls. I must say that I have not had any particular pressure put on me, as the director of planning, by the development sector to look at raising densities beyond what is currently provided for in our town planning instruments. But, in terms of the affordability of the product that is available, not a lot of new product is at a level that I would consider to be generally more affordable.

**Mr Tosi**—I have never seen anything advertised as affordable.

**Senator COLBECK**—Of the stock that is being developed, is a percentage being developed by the state housing authorities or cooperatives or anyone like that who might be providing that classification of property?

**Mr Tosi**—Not at the moment, but Brian from the Argyle Community Housing co-op will speak with you today, and they are about to significantly expand their role into the Campbelltown LGA. We are very supportive of that. As I said in this little document we prepared, whatever initiatives we can employ to assist them, that is what will come out of it. It has only just started. The dialogue only started in the last six to eight weeks.

**Senator COLBECK**—You mentioned that the market was volatile. I presume you are talking about price.

**Mr Tosi**—Yes.

**Senator COLBECK**—You talk about the infrastructure funding under section 94 contributions not being passed back onto the market; where do you think they would go?

**Mr Tosi**—They will just get subsumed into the price.

**Senator COLBECK**—If you divide the development market into sections, you have got the housing contractors, whose margins, I would suggest—even though there is a bid going on a market of relatively tight margins—would not be excessive; you have got the developers who are obviously in a competitive market, and you yourself have indicated that today because you said that some are doing okay and some are not, so that is providing price pressures within the market; and you have got the landowners who are holding the land. But where are those contributions going to go? The only place that I can see that they might go would be into the raw land prices, but each of the other elements in the market has its own level of competition which is going to drive it. So I cannot see a development company sitting round the board table saying, ‘We’ve just picked up 50 grand because the section 94’s disappeared; let’s put it in our back pocket,’ because that is not going to work.

**Mr Tosi**—Jeff and I have not discussed this, but what I mean is that it is a fairly simply exercise to establish the cost of the product on the ground. Let us say it is \$500,000. If the developer contribution and the section 94 levy is in that and then they add their profit and risk or whatever it might be, and a margin on top of that, that would quite reasonably take the cost to \$540,000. But, if the market is saying that product is going to sell to \$620,000, it will sell for \$620,000, and it does not matter what the calculations were. That is what has happened in the Sydney market in the last 10 years. We know developers. We know that the market has been bubbling along, not roaring along. So their costs are not fixed, though they are pretty identifiable, but the

market could be a lot higher than that. If there is an infrastructure contribution in that 500 grand of, let us say, 30 grand and there is a section 94 contribution of 20 grand, that adds up to \$50,000 and it has got you to your \$500,000. The developer puts his profit on top of that and then we say to him, 'As a well-intentioned community citizen, you will now put that product on the market with your profit margin, at \$540,000.' If the market is telling him it is worth \$620,000, he is going to sell it for \$620,000. That is the point I was making.

**Senator COLBECK**—In good times, you are probably right. But, given a volatile market like this one and given that some of the outer ring markets potentially feed into the cost and the pricing in other parts of the market, you could argue that a reduction in those costs could certainly contribute, particularly to the more affordable end of the housing market.

**Mr Tosi**—Yes, I would agree with that—and that may happen, but we do not know that.

**Senator COLBECK**—I understand that you are not in that space at the moment, so it is hypothetical.

**Mr Tosi**—Yes.

**Senator COLBECK**—Thanks.

**Senator SIEWERT**—I want to go back to the issue of the supply of affordable housing. The discussion we had this morning was in the context of low-cost housing for disadvantaged members of the community. The point that was made is that that type of housing is not being included in current developments. You have zoned land for higher density units, but those units are probably still going to fairly high priced units, so they are not actually designed specifically for those at the low-cost end of housing. Is that correct?

**Mr Lawrence**—That is correct, yes.

**Senator SIEWERT**—And the proposition that you are putting to us is that, because there is a lot of land available, land supply is not actually the limiting factor here for low-cost housing, and that in terms of housing affordability there are in fact other issues at work here and other initiatives that need to be put in place to deal with housing affordability. Is that right?

**Mr Lawrence**—Yes.

**Senator SIEWERT**—Besides the housing co-op work that you have been talking about—which I think is really good; I am personally a supporter of housing co-ops—what other mechanisms could the council be putting in place or assisting with, and not just the council but also state and federal governments?

**Mr Lawrence**—I do not see that there is a clear and significant role for councils beyond what we have talked about with the community housing providers. I think that we have a very limited capacity to intervene in the determination of the price of housing. In terms of planning controls and things like density bonuses and that type of thing, at the end of the day the market will sort that through itself. It is true and correct to say that our town plan does not designate a certain proportion of a housing development to be dedicated to affordable housing. We have not taken that role. I do not know that there are a lot of other councils that have taken that approach. We have tried to provide for a range of housing types, in terms of numbers of bedrooms and whatever, in different locations, particularly those locations that are very highly accessible to facilities, services and public transport. But, beyond looking at those planning controls, and particularly looking at giving bonuses and incentives to community housing providers—and Paul and I definitely would be more comfortable that the benefits of those incentives could be taken up and transferred to an affordable housing price—there are not a lot of other opportunities that we see for the council at this point in time.

**Mr Tosi**—I think the housing culture is great, because from what I have seen the basis is that 30 per cent rent and they maintain them. The tenants can maybe access Commonwealth support and that sort of thing, and that is really good but it is rental accommodation. Presumably part of affordable housing relates to people being able to buy their properties. The only model that I have known—and I am probably showing my age—that worked really well is the model that the housing commission used to run, which subsidised disadvantaged families or families at the lower end of the socioeconomic scale into their houses. In the days when it was operating it worked well. We have been through a whole range of models based on overseas studies and that sort of thing. I just said to Mike Allen that I thought the housing co-op thing was terrific because it is supported by the feds and the state, which it has to be, and it enables people to get in at an affordable price where they are only going to pay 30 per cent of their income. If these things are going to run right they are going to be self-generating.

**Senator SIEWERT**—I have a number of questions but I want to ask one specific question on the housing co-op.

**CHAIR**—We are running out of time, Senator, so be as brief as you can.

**Senator SIEWERT**—Is the model you are talking about a rental model for the co-ops? There are models for housing co-ops where you can actually buy your own home in the co-op.

**Mr Tosi**—And that would be great. We asked Brian about that the other day. There is a little bit of light there for them to do that. I would think if that could be expanded we would be heading down the right path.

**Senator SIEWERT**—So you would support that?

**Mr Tosi**—Absolutely.

**CHAIR**—I have a lot of questions, but we have run out of time. I thank you both very much for assisting us with that presentation today. It gives us good context for our meeting here in Campbelltown. It is full of useful information.

[12.18 pm]

**DEGOTARDI, Mr Mark Campbell, Head of Public Affairs, ABACUS-Australian Mutuals**

**CHAIR**—Welcome. Mr Degotardi, I understand you provided the committee with a submission this morning. Thank you for bringing us that. We have not, unsurprisingly, had an opportunity to have a look at that. I invite you to make an opening statement, and we will go to questions after that.

**Mr Degotardi**—Thank you to the committee for allowing us to appear before you today. I am sure you have heard in the course of the committee's hearings so far that there are many measures you can use to solve the housing affordability problem, and there remains some debate about which measure might be the most appropriate. What is beyond doubt for all of us now is that there is actually a housing affordability problem, irrespective of the debate about which measures you might use.

ABACUS-Australian Mutuals is the peak body for Australia's credit unions and mutual building societies. Collectively our sector holds around 12 per cent of the household retail deposits market and about seven per cent of the owner-occupied home lending market. We represent 145 diverse institutions that are linked by a common purpose and structure. As mutuals we are not bound to serve our shareholders over our customers; as mutuals, our customers are our shareholders, and we are committed to our members first and foremost.

Our dividend is delivered in better service: fairer fees and interest rates and our contributions to the communities in which we operate. Our customers consistently rank us well ahead of the major banks in terms of customer satisfaction. Credit unions and mutual building societies have over 4½ million members across Australia, with assets of more than \$65 billion. We are regulated in the same way as banks. We meet stringent APRA standards on a range of capital, liquidity, governance and lending criteria and we are also Australian financial services licence holders under the Corporations Act.

I note the committee's terms of reference in themselves point to the complexity of the housing affordability issue and the barriers to homeownership. For the purposes of both our submission and my appearance here today we have limited our comments to subparagraphs c. and f. of those terms of reference.

What do we know about housing affordability in Australia? In just the last month, a number of things have appeared. A recent NATSEM report which I am sure you have seen suggests that Australia has one of the least affordable housing markets in the developed world. The same report suggests that homebuyers are paying more of their income and staying in mortgage debt for longer periods of time. The RBA recently noted that homeownership amongst the 25 to 39 age bracket is also falling, and this group of course is traditionally the group that would first enter the homeownership market. So I say again: we know there is a problem.

On the simplest measures, housing affordability is affected by the costs of borrowing. It is clear to us that financial institutions can and should play a part in ensuring that interest rates and fees on home lending are fair. From the perspective of the mutual sector, delivering fairer fees and better service is at the core of our business. Notwithstanding the credit crunch issues arising as a result of the subprime crisis, credit unions and mutual building societies continue to deliver on interest rates to their members. On average, the interest rates on our variable rate home loans are 40 to 50 basis points lower than those of the major banks. Some of our members are offering standard variable loans that are more than one per cent cheaper than the cheapest comparable loans offered by any of the banks. Mutual ADIs are less exposed to the credit crunch than our larger banks, mostly because we have a higher retail deposit base and therefore fewer wholesale funding requirements. The savings we make from our structure are passed on to our members, not on to our bottom line.

Whilst I am happy to trumpet the success of the mutual sector, I think I should focus on why this is important for the purposes of this committee. In a time when wholesale funding markets are volatile and lending by unregulated mortgage originators has declined significantly, it is critical that consumers have choice in the market. That choice restrains the excesses of the institutions that would seek to profit from the current difficulties at the expense of ordinary households that are already struggling to cope with interest rate rises.

There is little doubt that the greater accessibility of credit over the last few decades has had many positive aspects. Many families have accessed loans and bought homes and, as a result, are now well placed financially. In the face of strong economic growth, solid employment, low inflation and low interest rates, many families coped well despite the very high levels of debt. For some, there was perhaps insufficient consideration of what might happen in an adverse market, with interest rates rising.

So, whilst housing affordability is driven by a range of very significant factors outside the control of financial institutions, part of the affordability story is the cost and availability of credit. Competition in this market ensures that consumers can get the best possible deal. Unfortunately, some elements of our market are not bound by the regulatory restrictions met by ADIs and have engaged in practices that are undesirable at best and predatory at worst. More than ever, it is vital that the government protect the most vulnerable consumers from the predatory behaviour of these fringe lenders.

Credit unions and building societies are responsible lenders that are bound not only by their regulations but also by their own practice standards, to ensure that they lend responsibly and undertake appropriate credit assessments of the borrower's capacity to repay. Other elements of the market do not, and these groups lend consumers amounts that they do not need at rates that are too high and with fees and terms that are not adequately explained. A well-functioning credit market is critical to moderating housing costs, and ABACUS supports recent COAG announcements to regulate lending by non-ADIs and also to regulate mortgage brokers.

ABACUS also welcomes moves to introduce incentive schemes for first home buyers. The currently proposed first home saver account is a product that will be offered by credit unions and mutual building societies. It is a natural fit with our clear role of helping our members achieve financial independence. But we urge the government not to overcomplicate the regulation of the proposed account. By their nature, these accounts will be accessed by young people. Our members will want to help those younger customers to understand these accounts and make sure that they are making the right choice. Too much complexity will increase costs and reduce returns to savers and also slow competition and choice in the market.

Finally, I note that a considerable contribution can be made by financial institutions in the area of promoting financial literacy. If young people can be helped to improve their understanding of savings and financial products generally, then some of the difficulties of breaking into the housing market will be ameliorated. Credit unions and mutual building societies already provide assistance to their members, from promoting financial literacy in local schools to providing resources to the public to help them understand various financial products. Financial institutions cannot solve the affordability problem on their own but we certainly do have a role. There must be an efficient and competitive banking market, and individual institutions must commit themselves to responsible lending practices. For our part, we are ready to play our role.

**CHAIR**—Thank you very much, Mr Degotardi. Perhaps I could start with a quick question about the first home savers accounts. You indicated that in your view they should not be overcomplicated. We heard from the ABA earlier this week, and I think they have made a submission to the government about how they think the accounts should operate and be administered. Has ABACUS-Australian Mutuals made a submission along the same lines?

**Mr Degotardi**—We have actually made two submissions on this reform proposal as well as another one more recently. The comment I made about the complexity of the product is because there is a proposal at the moment to determine what level of training the staff at a credit union, building society or ADI might need to explain these products to their customers. To us, they are a fairly basic deposit product with some additional requirements attached. As member owned institutions we would like to be able to sit down with our members and say, 'This is what this product means, these are the obligations you have and these are the responsibilities you might have, and these are the restrictions on the product.' For us to be able to do that, we need to have a decision made on whether it is tier 1 or tier 2 training under the financial services reforms. If we make it too difficult then our staff are simply going to be saying, 'This is the product, and you're on your own.' I do not think that is a great outcome for young people.

**CHAIR**—Sure. I appreciate that. Questions? Senator Bartlett.

**Senator BARTLETT**—You mentioned financial literacy as a contribution the financial sector in general could make to help stop people ending up in strife, and it seems like a good idea. I think you touched on that in your paper. I am also interested in that broader issue of the culture of savings, if you like. One of the consequences of greater access to credit is that you can pretty much get it without any savings base at all. You mentioned the term 'best possible deal'; that made me think of people just going around until they find somebody who says, 'Yes, that's the best deal.' It is that culture where, if you can find somebody who can get you the money, you can get it. Are there things we can do, whether they are educational, which is softer stuff, or harder edged legislative or regulatory things that could change that culture to one of savings and financial literacy more broadly?



**Mr Degotardi**—I think the answer is yes, absolutely; there are things that individual institutions can do. For instance, our sector develops a range of financial literacy products. They are very simple products, things like: ‘Are you buying a home? These are the things you might want to think about,’ or ‘Are you buying a car? These are the sorts of things you might want to think about,’ or ‘If you want to save, these are the sorts of things you need to do.’ Now, that sounds like A-B-C stuff, but you would be surprised how few people get to access that sort of information. I do not think you would be terribly surprised that levels of financial literacy in Australia are disappointingly low.

For the purposes of this committee, we are talking about housing affordability and the barriers to homeownership, but I think that story starts much, much earlier than when you come to buy a home. If we can help people to understand the role of savings, the role of financial products, what they can do at a much earlier stage, then perhaps some of those barriers are going to be removed.

Some of the worst cases we see of vulnerable people who get into housing stress are, for example, people who might be renting or have a mortgage and enter into no-interest loan deals or deals that say ‘buy now and don’t pay anything for five years’. They are the sorts of things that seem okay at the outset but turn horribly wrong—and, in fact, they are the things that trigger the eventual collapse of the housing situation for that person.

There are many, many things that individual institutions should be doing, and one of those things, as I mentioned earlier, is responsible lending. It is absolutely critical that we have a level playing field in the lending market. When a person comes to one of our institutions, we make an assessment based on that person’s capacity to repay. If everyone did that, then we would have a free and fair market and perhaps some of these problems would not occur. The problem is that some institutions are not doing that and so, when people go down the road to them, they say, ‘Yes, of course you can have \$150,000,’ or \$500,000 or whatever the case may be. If that competition in that market is not level then we are perhaps inadvertently forcing people off to institutions that are not terribly well regulated and, in some cases, not very well intentioned, and I think that is a bad outcome.

In terms of your broader question about what government or others could perhaps be doing, I know the previous government set up the Financial Literacy Foundation with Paul Clitheroe, and I think they have done some excellent things. My comment would simply be that there is always more that you can do in that area.

**Senator BARTLETT**—On page 5 of your submission there are a few paragraphs quoting the Reserve Bank’s Anthony Richards, who in turn refers to the Productivity Commission report from 2004. I presume that, in quoting that, you agree with it, that you are quoting approvingly. I note that it says:

On the demand side, it is now widely accepted that policies that simply give people more money to spend on housing are likely to be capitalised into higher housing prices—

and therefore make things worse across society. There are two levels to that. One is what we were just talking about: apart from leading some people into dangerous financial waters as individuals, access to overly generous credit in itself contributes to market distortions with regard to its impact on demand. The other is economic theory. Do you have a view about any of the broader tax settings and the impact they may have on distorting the market on the demand side?

**Mr Degotardi**—I think the answer is that, if you make it easier for someone to buy a house, you will stimulate demand for housing; there is little question about that. In other words, if access to credit is easier then you stimulate demand for housing and, in turn, if that demand is not matched by supply then the obvious thing happens to housing prices. And that can be in terms of easier access to credit, First Home Owner Grants, stamp duty subsidies—all those sorts of things are making it easier for people to enter the housing market. For many of those people, that is a fantastic outcome and, as I said in my opening statement, there are many families that have done exceedingly well from being able to access that credit and for whom it has not been a difficulty. I think it is at the outer edge of access to credit where the problems arise.

I am somewhat loath to put myself forward as an economic theorist, Senator Bartlett. I studied political science and I work in public affairs, so these are perhaps dangerous waters for me to tread! But again—and I think Treasury itself has said this—if you make it easier for people to buy a house then you are going to stimulate demand, and that is an outcome of all those sorts of demand-side actions. I mentioned the first home saver accounts earlier: we do support them and we do think they are a good thing. They are a longer term product as opposed to a straight-off grant—say, a First Home Owner Grant. While that will help some people, it is not enough on its own. You cannot just do something on the demand side and hope that that is enough.

Obviously, and I am sure other people will say this to you as well, some supply-side measures need to be taken.

**Senator BARTLETT**—A number of people have pointed to the fact that the key area of affordability problems at the moment is in private rental. One of the measures the new government has brought in, while it certainly will not fix it all, is aimed at making at least some impact by encouraging institutional investment in the private rental market. Do you have a view, whether with regard to mutuals or the finance sector more broadly, about what things could be done to further encourage private sector investment, institutional investment or any investment, I guess, in private rental at the lower end of the market? It does not seem to be a problem to get it at the upper end of the private rental market but it does at the lower end. Do you have any views on that?

**Mr Degotardi**—If the question is: ‘Is the mutual sector likely to be that sort of institutional investor?’ then I think the reality for our sector is that the answer is no. Our size just simply would not permit that. I think we need to focus on what we do best, and that is providing competition and choice in the banking market rather than being one of those institutional investors ourselves. On a similar note, as a sector we do not do terribly much commercial or small business lending so, again, we are not in a position to be able to influence that market to get into that particular—

**Senator BARTLETT**—I guess in some ways that also means you do not have a vested interest in pushing your case. Sometimes it is useful having people who have an understanding of it without having a direct interest.

**Mr Degotardi**—Sure. I would say, however, that I think we would be better to focus on some of the stuff that our credit unions and building societies already do. For instance, some people get into housing stress because of reasons other than the rent or the mortgage payments, and we have a range of institutions that offer things like no interest loan schemes that are actually no interest loan schemes, for buying things like fridges and household goods, to people who would not ordinarily be able to access credit. That is a different thing to predatory or fringe lending. I think those sorts of things are really useful things for us to be doing. Our record on dealing with our members who get into stress is also exemplary, in my view. I think that is the sort of thing that as a banking and financial services provider we need to be focusing on as well.

**Senator MOORE**—In your opening statement—and correct me if I misheard you—you talked about the fact that people in the industry have behaved in bad ways and that you are aware of that. If there is such an organisation that trades under the kind of heading that you cover, is there a process within your organisation for censure and/or discipline and/or—in football terms—kicking them out? Is there such a process if it is found that someone trading under a name that could be linked to yours is doing the wrong thing?

**Mr Degotardi**—Thank you for the question. I should be abundantly clear: my comment was that there are people in the broader industry behaving badly, not people within our part of the industry.

**Senator MOORE**—But if they did?

**Mr Degotardi**—In the highly unlikely event that they did? What we do as a sector is subscribe to a code of practice—

**Senator MOORE**—I wanted to get it on record that you had that.

**Mr Degotardi**—Yes, and it is part of our licensing regime that we have external dispute resolution schemes and those sorts of things. Not only do they solve individual complaints but they also monitor systemic complaints, so if there is the same sort of complaint coming to the Credit Union Dispute Resolution Centre, for instance, they monitor that and they report back and say: ‘This is a systemic problem for your sector. You need to go and fix it.’ ASIC has a role in that regard, and APRA also has a role in regulating our sector, as with all the banking sector. In fact, we are in the throes of a new code of practice, which we think is a step up from where we are now, and we hope in the next couple of months to be able to circulate that more broadly. I would confidently stand here, hand on heart, and say it will be the best code of practice in the business.

**Senator MOORE**—And your mutual organisation has an active role in all of that apart from just distribution?

**Mr Degotardi**—The industry association has a role in promoting that code both internally and externally. So we promote it to our members and have them adopt it, and promote that externally to the market as well. I should say, to answer that question, that as part of that code of practice there will be an independent code-monitoring committee that will oversee the operation and implementation of the code.

**Senator FIFIELD**—We have seen in the press over the past week some banks getting themselves into trouble by lending to households which then have to devote more than 30 per cent of their income to payments to service the loan. Does your sector have any formal or informal guidelines for its members as to what is a healthy percentage of an individual's income to allow to go on repayments?

**Mr Degotardi**—The answer to that question is that it is up to the individual institutions to set their own lending criteria. As a sector, however, we do—as I said earlier—adhere to a responsible lending practice, and that is going to be very clear in our new code as well. I guess we have all seen some or all of *Four Corners* of last Monday. It was a good day not to be a bank from our point of view. We would certainly be promoting responsible lending, but I do not think we are into the space of mandating individual criteria. In fact, I do not think that that is necessarily a helpful way of doing it. I should also say, however, that APRA regularly inspects our institutions—and the banks, for that matter—and determines the way we assess credit applications and the way we provide credit. There are a whole bunch of regulatory issues that we need to adhere to in our provision of credit. Those sorts of criteria do not necessarily apply outside the unregulated sector and, as I said earlier, I think that is part of the problem.

**Senator FIFIELD**—So it is more a culture of responsible lending which you are seeking to encourage in your sector.

**Mr Degotardi**—Absolutely. I think one of the great advantages our sector has in times like now is that, perhaps, if we had a whole range of shareholders to whom we had to provide dividends the push for growth and for maintaining your margin would still be there whether the times were good or bad. We are able to make responsible lending practices because, in fact, as I said earlier our shareholders are our members; they are the same people. I think the RBA recently put out a report that demonstrated that we have, in fact, absorbed many of the interest rate rises over the last six months in ways that the banks have not been able to. So that is our dividend.

**Senator FIFIELD**—There has been a figure quoted of 10,000 homes which have been repossessed over the last year. When we put that to the banks, they said that something of the order of 20 per cent—I think—of those were people who had loans with banks. Do you have a handle on what percentage of that 10,000 would be people who had loans with mutuals or building societies?

**Mr Degotardi**—It is difficult to say. I do not know the origin of the 10,000-home figure in the first place.

**Senator FIFIELD**—I think it would be the aggregation of state court records.

**Mr Degotardi**—Sure. I guess I would rather refer to some more published figures, like the APRA figures and some of the RBA figures, that show that we are still, in our sector, at historically low levels of arrears and that we are still sitting well below the levels of arrears of the major banks and other banking institutions. I think this is the sort of environment in which our responsible lending practices of some years ago are starting to pay benefits for us. If you lend rightly in the first place, in many cases you will be okay even when times get tough—not in all cases, but in most. Whilst there has been some small growth in our arrears, it is off an extremely low base and our arrears remain at historically low levels. We would be hoping and expecting that that remains the case.

**Senator FIFIELD**—You said earlier that you think the sector has been exemplary in how it handles customers who are in arrears. How is the way your sector handles people in arrears different to the way that the banks do so?

**Mr Degotardi**—I think it comes back to our very core, in many respects, in the sense that the first action is not to send a letter with a \$35 bill, saying, 'Thanks very much for playing, but we've just debited your account.' We as a sector, in fact, treat those people as you would expect to be treated as members. That is a relationship we have with our members in good times and in bad times. Certainly, we as a sector have seen that our members are more likely, when they get into strife, to come and see us—and indeed they are encouraged to do so—and we deal with that strife and get over the problem. So many problems that people experience in terms of financial difficulties can be nipped in the bud if the conversation takes place early enough. In our case—and it is shown, again, in our arrears in the way we have seen dispute resolution schemes work—people are coming to talk to us and we have been able to deal with them. In many cases, it never gets to the worst case scenario.

I was at a Uniform Consumer Credit Code ministerial council roundtable just this week. Many of the consumer groups there were saying that the worst cases involve the most vulnerable consumers and that they were actually the cases where they had difficulty paying one payment originally and then, increasingly, the

real problem they had was paying the fees that came after—the dishonoured fee and the direct debits et cetera. That was what created the problem. Again, if anyone is having a financial difficulty, go and talk to your financial institution. That is something we do really well.

**Senator SIEWERT**—As we have received evidence, the pool of organisations or financial institutions that seem to be responsible for the bulk of foreclosures on homeowners seems to be getting smaller. The banks yesterday told us that they are not responsible for 60 to 80 per cent of foreclosures—there are others—but they are responsible for 85 per cent of housing loans. Your members, as I understand your evidence, are responsible for 12 per cent. So we are getting down to a fairly small pool—if I understand it correctly—of unregulated financial institutions which are responsible for the bulk of the reposessions or foreclosures. What type of financial institutions are the unregulated financial institutions? I am trying to get my head around it. Who should we be talking to on that?

**CHAIR**—I am not sure that Mr Degotardi is going to be keen to verbal the—

**Senator SIEWERT**—I do not want the names of the organisations; I want the types of organisations. Both the financial institutions that appeared over the last couple of days have said, ‘It’s not us.’

**Mr Degotardi**—I doubt that I am protected in the same way that perhaps others in the room are in my disclosures, so I may be a little circumspect. Could I correct one thing: we have seven per cent of the housing market. It is 12 per cent of the retail deposit market.

**Senator SIEWERT**—It has grown a little bit bigger then?

**Mr Degotardi**—I do not wish to comment on the banks’ evidence. They have obviously provided their evidence and that is their evidence and the same goes for us. If you are talking about the unregulated sector, it is represented by a whole range of mortgage originators—there are absolutely hundreds of them—and they range from being large institutions to tiny shopfronts. Even as I walked in the council chambers today, I saw a microcosm of the lending institutions just across the road. If you want to talk to the people to whom we are referring, talk to the non-ADI sector, the non-APRA regulated sector. I am sure those sectors will say to you: ‘Some of us are fantastic.’ I think the evidence will bear out that some of them are not.

**CHAIR**—Does that help, Senator Siewert?

**Senator SIEWERT**—Yes.

**CHAIR**—Any further questions? As there are no further questions, thank you, Mr Degotardi. Thank you particularly for attending our hearing here in Campbelltown. You get to see a member across the road, as you said, so that is good. Thank you for your submission. Once we have had a chance to examine it in further detail, if there are any questions arising out of that, if you do not mind we will put those to you on notice. We would be grateful for your assistance in answers to those.

**Mr Degotardi**—Madam Chair, thank you, again, for the opportunity to appear today.

**Proceedings suspended from 12.50 pm to 2.04 pm**

**MURNANE, Mr Brian, Executive Manager, Development, Argyle Community Housing Ltd**

**CHAIR**—Welcome. I invite you to make an opening statement, some introductory remarks telling us a little about Argyle Community Housing and the issues in this particular area which are of relevance to our inquiry, and then we will go to questions from members of the committee.

**Mr Murnane**—Thank you for the opportunity to make a presentation. It was at fairly short notice and so I am not as prepared as I would have liked to be. I am sure that plenty of other people have been telling you about the size of the problem relating to affordability. I want to make a contribution to the solution. Argyle Community Housing is a community housing provider. We are one of 38 in New South Wales. We have a Type 1, A-grade registration with the New South Wales Department of Housing. That means that we are an organisation managing over 500 properties; in fact, we manage 1,150 properties, and we have an A-grade registration. So that means that the Department of Housing have no concerns with our operation and our management, and they are happy to do business with us. The area that we cover is from the crossroads at Liverpool down to Yass and Young, and we have an office in Queanbeyan. We have three offices in fact: one in Campbelltown, one in Bowral and one in Queanbeyan. So we cover a large geographical area. As I said, we manage 1,150 properties across that area, and we are growing at the rate of about 100 properties a year.

Argyle lease across our geographical area. We lease about 301 properties on the private rental market. We are able to negotiate the rents. So we can go to a landlord and say, 'The market rent is whatever, but can we get a reduction in the rent, because we will do some repairs and maintenance and we will pay rent a month in advance?' But, even though we have been able to negotiate some cheaper rents, we have been finding over recent months that, on average, on a two-bedroom place we pay \$197 a week, on a three-bedroom property we pay \$228 a week, and on a four-bedroom property we have been paying an average of \$307 a week. In the period from 1 January to December last year, our rents on one- and two-bedroom properties increased by 13½ per cent and our rents on two- and three-bedroom properties increased by 7½ per cent. Yet we are an organisation which has some clout in the market and has been able to do some negotiations. So if it is tight for us it is very tight for the people who we see.

The people who we see are particularly those in Campbelltown. The Campbelltown area, as far as affordability goes, is probably the best located area. But in this area we see three groups of people who are affected by housing affordability or lack of it. The first of those groups is pensioners, particularly pensioners who have retired with some money in the bank. They may have been unskilled workers who had some superannuation when it became compulsory and have, say, \$100,000 in the bank—too much to get a Department of Housing property but not enough to buy their own property or not enough to be able to pay market rents. So there are those pensioners with just a little bit too much money. The second group is made up of young working families: young police, teachers, nurses and childcare workers—those young families are having difficulties. And, particularly in this area, there are students. There is an increasing student population.

That just gives you some idea of the extent of the problem that we are facing. But I wanted to focus more on contributing to the solution, because I think that community housing is in the unique position of being able to work with government and make a significant contribution to solving some of the problems regarding housing affordability. There are 38 housing associations across New South Wales, and the New South Wales government has recently released a document called *Planning for the future*, and the plan is to grow community housing from its current portfolio of around 14,000 properties to 30,000 properties over the next 10 years. Last Tuesday here at the council we had a meeting with Mike Allen, the Director-General of the Department of Housing, and council to talk about housing affordability, and Mike Allen assured the council that the figure of 30,000 properties is a minimum figure. They are hoping to grow the community housing sector by significantly more than 30,000 units of housing.

In anticipation of the growth, five of the large housing organisations have formed a development company. The development company that we have formed is called Blue Chip, and Blue Chip covers the metropolitan area of Sydney, the Macarthur and down to Queanbeyan, the area that Argyle covers, and the Shoalhaven. The five housing organisations that have formed the development company are Argyle Community Housing; Hume Community Housing Association, based at Liverpool-Fairfield; Women's Housing, which is a metropolitan-wide service; Wentworth Area Community Housing, which is based at Penrith; and Shoalhaven Community Housing.

The idea is that this group will tender to government. In fact, we are lodging a tender tomorrow. The New South Wales government have the Affordable Housing Innovations Fund. They have \$8 million, and we are

lodging a tender under that program tomorrow. But all five organisations are A-grade registered organisations. We hold assets to the value of about \$19 million, and we manage an annual cash flow of around \$28 million. We manage nearly 4½ thousand properties, and we have all been around for 25 years. So we have 25 years of property management experience. We manage maintenance responsibilities for nearly 3,000 properties. We have cyclical maintenance plans, a 40-year cyclical maintenance plan for every one of those properties, but more importantly we have to be able to prove to the Department of Housing that we have the funds ring fenced to be able to meet those commitments under the asset maintenance plans.

Blue Chip are proposing to acquire government funding, make some contributions ourselves and borrow some money on the private sector. In fact, we have been able to demonstrate—and we have a number of small projects currently underway—that, anywhere in the metropolitan area, we can provide a house for \$160,000 cost to government. So, for the \$8 million that is currently available under the Affordable Housing Innovations Fund, we anticipate that we would be able to produce 50 units of housing. That would be a range of housing from one-bedroom units up to four-bedroom stand-alone cottages. We have formed a partnership with Affordable Housing Solutions in Melbourne to assist us with our tendering and the actual administration of Blue Chip, because we do not want to set up an organisation that is going to be top-heavy on costs. We want to keep our overheads down to a minimum, so we are paying Affordable Housing Solutions on a contract basis. That is at a state level.

At the local level, we have the management expertise. At a state-wide level, we are setting up this development company—and in fact we have been able to negotiate some free land from local government, and some developers have chipped in some land as well—so that we will initially be able to provide housing anywhere in the metropolitan area and on the fringes of the metropolitan area. But, ultimately, we see ourselves as a state-wide based organisation.

Fifteen national housing providers have got together and formed PowerHousing Australia. We have set up a national body so that we can deal with national groups, and national developers and the national government—instead of trying to deal with an organisation at a local level like Argyle Community Housing—can just deal with one organisation. Of the 15 members that form PowerHousing, combined, we have 12,000 affordable rental properties under management, 798 new properties currently under construction and about \$4 billion worth of housing assets currently under management.

We all have at least 20 years experience in doing property management and, in some cases, construction in some of the other interstate housing providers. PowerHousing has been set up so that organisations like the Commonwealth government, Delfin Lend Lease, Stockland and some of the big developers can go to one organisation, deal with it and then we would share that out amongst the members wherever the need is. Last year, when the previous government called for submissions, PowerHousing made a submission to the Commonwealth to provide 35,000 units of housing at a cost of about \$11 billion over 10 years. Forty per cent of that would be Commonwealth money and 60 per cent would be made up of contributions from funds held by member organisations and borrowings on the private market.

Each of the members who make up Blue Chip and PowerHousing have to be able to demonstrate that we are financially viable and secure, that we have resources to commit to the development of affordable housing and that we would charge a maximum of 30 per cent of household income or 74.9 per cent of the market rent. Given those subsidised rentals, we have been able to demonstrate that we can cover all of our operating costs and set aside provisions for cyclical maintenance as well as generate new income for future development. Community housing is a structure that stands ready to work with government and the private sector to address this crisis in housing affordability right across the country.

**CHAIR**—Thank you very much, Mr Murnane. It is a very impressive operation that you have described. I will go to my colleagues for questions.

**Senator HUTCHINS**—Mr Murnane, could you tell us who is involved in Argyle Community Housing?

**Mr Murnane**—It is a not-for-profit organisation. We have a skills based board. We have 20 staff, ranging from client service officers to maintenance people, and Mario Madgwick has recently joined us as an architect and planner. Argyle's primary focus is property management, tenancy management, and we think that by joining together and forming organisations like Blue Chip and PowerHousing we can better deal with the development side of it.

So Argyle is a management company. What happens is that, for any properties that are developed through Blue Chip, the title would be held by Blue Chip but the management of the properties would be carried out by

the local housing provider. We currently have a proposal under this tender tomorrow to develop 10 properties in this area. They are in our area so they would come to Argyle to manage on behalf of Blue Chip. We have already set a management fee of \$1,048 per property per year.

**Senator HUTCHINS**—I am just trying to understand the concept. Behind Argyle are there any philanthropic organisations?

**Mr Murnane**—No, there are not. It has been around for 25 years, as I said. It was started with some assistance from Campbelltown City Council. There are three local government areas—Campbelltown, Camden and Wollondilly—for the Macarthur area. We applied for funding in 1981, I think it was. We got funding to provide housing for 33 households across Macarthur, which was very small. Over the years it has grown from 33 households to 1,150 now, covering 15 or 16 local government areas.

**Senator HUTCHINS**—To whom did you make that application for the funding?

**Mr Murnane**—Initially it was to the New South Wales government. Community housing in New South Wales was set up initially by the Department of Youth and Community Services. It used Commonwealth mortgage rent relief funding. Ultimately the administration of the program was transferred over to New South Wales Department of Housing. It was called the Community Tenancy Scheme. It has grown out of the community housing providers. There were originally 58 I think. Argyle has grown through a series of amalgamations, and so Argyle now comprises what originally were three other providers. There were four organisations altogether and through amalgamations they have now formed Argyle Community Housing.

**Senator HUTCHINS**—So it is funded by state and local governments, is it?

**Mr Murnane**—No, it is entirely state funded. Local government gave us some moral support and the three general managers of Campbelltown, Camden and Wollondilly were board members initially. Now we have gone to a skills based board, so we have lawyers, architects, engineers, accountants and all those sorts of people on our board. We have a nine-member board.

**Senator HUTCHINS**—Do they ultimately report back to the Department of Housing?

**Mr Murnane**—Yes, we report quarterly to the Department of Housing. The only funding that we get is from the leasehold program—the properties that we lease on the private market. That only accounts for about 301 of our 1,150 properties. The remainder of the properties, the majority, are properties that have been transferred from the Department of Housing to us to manage. We have five-year leases on those properties. We have to cover everything. For all intents and purposes they are our properties, but we do not hold the title on them. The New South Wales Land and Housing Corporation holds the title, but we have to pay all of the cyclical maintenance, all of the day-to-day maintenance, the rates, the insurance and everything else as well as our own operating expenses. All of that has to come from the rents generated by those properties. So we get no additional funding for that.

**Senator BARTLETT**—So you are basically the landlord but without the title?

**Mr Murnane**—Yes, that is it: we are the landlord but without the title. The New South Wales government are offering for some organisations to become growth providers, and under that arrangement they will offer us 35-year leases on some of those properties.

We recently took over managing the entire housing property stock of New South Wales Department of Housing in the Wingecarribee Shire, so we manage 390 housing properties of the department in that area. As a result of that transfer, overnight we became the council's largest residential ratepayer and we have been able to negotiate, with local developers and the council, being given some land. We did a presentation to the Wingecarribee council about the cost of affordable housing in the shire. They set up a housing strategy group and donated some land, and the developer donated some land and sold us other land cheaply. So at the moment we have eight houses under construction in the Wingecarribee Shire.

**Senator HUTCHINS**—You have said what the average rent is for the type of two-bedroom, three-bedroom and four-bedroom housing that you are responsible for.

**Mr Murnane**—Yes.

**Senator HUTCHINS**—Do you have figures for the sorts of clusters you have of two-bedroom, three-bedroom and four-bedroom housing?

**Mr Murnane**—We have that.

**Senator COLBECK**—Can you give that to us?

**Mr Murnane**—Yes.

**Senator COLBECK**—One interesting thing that has come out of today's hearing relates to the lack of availability of less than three-bedroom houses—I will use my words—for people who are not families. In your submission to us, you have mentioned that two groups in particular that seem to have rental or housing 'stress', for want of a better word, are pensioners who have some money and police, nurses and students.

**Mr Murnane**—Yes.

**Senator COLBECK**—It would be helpful for us in our deliberations if you could give us the break-up of that group.

**Mr Murnane**—I can give you a breakdown, even by local government area, of the number of houses we have, categorised by the number of bedrooms each house has. I will have no problems at all in giving you that.

**Senator COLBECK**—With only five-year leases over your properties, how do you provide tenure to your clients?

**Mr Murnane**—It is a problem, but we have had some of those properties for 20 years and each five years the New South Wales housing registry gives us a renewed lease.

**Senator COLBECK**—So you rely on a continuous rollover process, based on performance over the five-year period?

**Mr Murnane**—Yes, that is right.

**Senator COLBECK**—You have given us the number of properties that you are looking to increase your stock by.

**Mr Murnane**—Yes.

**Senator COLBECK**—What sort of capacity do you believe that organisations such as yours would have to ramp up that rate of supply?

**Mr Murnane**—As I have said, we listed 15 national organisations in our request for information and we said that we could provide 35,000 units of housing over 10 years. We gave a very detailed submission—I have a copy here that you are welcome to—that spelt out how we would go about providing those 35,000 units of housing, which included all the costings involved. As I have said, it was an \$11 billion project. We thought that the government would cover 40 per cent of that cost and the remainder would come from our own resources and private sector borrowing.

**Senator COLBECK**—I will certainly be interested in seeing that. You have told us quite proudly that you are going to provide another 10 houses in this particular area, but this morning we heard that 800 came out of one particular suburb. I think it just gives a demonstration of the scale—

**Mr Murnane**—It was 800.

**Senator COLBECK**—So 800 affordable houses or public housing units were taken out of one area in this region.

**Mr Murnane**—The group of people who are disadvantaged are those who are on the \$40,000 to \$70,000 a year income. In this local government area, I think there are about 8,000 units of public housing, which is for people on the nought to \$40,000 a year income. These are rough figures; it might be \$43,000 or \$44,000. In general terms, for nought to \$40,000 a year it is social housing, of which there are about 8,000 units in this local government area alone; there are five large public housing estates. Generally, affordability is not a major problem in that nought to \$40,000 a year group. It is those in the \$40,000 to \$70,000 a year group that are experiencing difficulties.

**Senator COLBECK**—You are making the important distinction between social or welfare housing and public housing. Is that right? This goes to terminology. When you speak of public housing, are you referring to that lower percentile?

**Mr Murnane**—In referring to social housing, I am speaking of the nought to \$40,000 group; affordable housing relates to the group on the \$40,000 to \$70,000 a year income.

**Senator COLBECK**—I think that is an important distinction to make as part of this conversation.

**Mr Murnane**—It is.

**Senator COLBECK**—I certainly raised my eyebrows when I heard that 800 are coming out of the Minto redevelopment. Is that social or welfare housing—however you want to term it?



**Mr Murnane**—Yes.

**Senator COLBECK**—But public housing, which has a much broader focus, encompasses the range that you are now talking about; that is for people on between \$40,000 and \$70,000.

**Mr Murnane**—Yes.

**Senator COLBECK**—We have heard over the last couple of days that the narrowing focus of government-provided housing to perhaps the welfare or social type of housing has impacted on their capacity to renew or to provide housing stock across the board.

**Mr Murnane**—Yes.

**Senator COLBECK**—That clarification is very important.

**Mr Murnane**—I think what is happening is that community housing is picking up the role that the New South Wales Department of Housing used to have. We cater for the nought to \$40,000 a year income group, but we now plan to provide also for that \$40,000 to \$70,000 a year income group. The New South Wales Department of Housing's market is nought to \$40,000, whereas in the past, regardless of level of income, anybody could live in public housing, if that is what they chose. If you had a higher income, you could pay more, even up to market rent. But the New South Wales Department of Housing have imposed tenure restrictions or limitations because of the number of people on the waiting list. But community housing operates social housing and affordable housing. Already, our board and other community housing boards are looking at ways whereby in the future we can assist people into private homeownership. You might start off in social housing, go to affordable housing and then go into private homeownership.

**Senator COLBECK**—Thank you very much. That is a very important distinction.

**Senator SIEWERT**—As Senator Colbeck has said, the issue of the reduction in the amount of public housing has been raised with us a number of times. But one comment made yesterday was that the pool of public housing has not only shrunk but also is being targeted now not at the zero to \$40,000 target group necessarily but at people, for example, who are de-institutionalised. That has reduced the pool even further, which means that people who normally could access it are no longer able to.

**Mr Murnane**—That is right.

**Senator SIEWERT**—You say that you are providing for social housing and affordable housing.

**Mr Murnane**—Yes.

**Senator SIEWERT**—How do you pick the balance?

**Mr Murnane**—We, like the New South Wales Department of Housing, are under increasing pressure to house people with higher needs, and we work on a needs based system. The New South Wales Department of Housing traditionally—it is changing slightly—has worked on a 'wait your turn' system. You come in, you make your application and you just wait in the queue until you get your house.

Community housing has traditionally worked on a points system. So you might have been on our waiting list for some time, but your needs may not be as great as someone who has been on the list for only a short time. There is a points system where you get so many points and the higher your points the higher the priority. But that means that people who have an affordability issue with the housing they are in, those with housing stress who are paying more than 30 per cent of their income, can just sit on the waiting list and have absolutely no chance of ever getting housing because there are always these people in crisis situations who come in with very high needs who always get the housing before they do. So what we do is to take one in every four. We house three high-needs people and then we take someone off our waiting list. That is how we try to balance it, but it is a bit of trial and error. It has generally worked out in the past. To date, that approach of one in four has worked out okay for us. We take three people with very high needs and then we will take one who is just on the waiting list.

**Senator SIEWERT**—That in fact answered my next question, which was about how you determine your tenancies: you use the points system?

**Mr Murnane**—Yes.

**Senator SIEWERT**—Do all the community housing organisations use that similar system or are they all different?

**Mr Murnane**—Generally in New South Wales that is the system that we all operate on, yes.

**Senator SIEWERT**—I understood that you are actually building some new dwellings?

**Mr Murnane**—Yes. Argyle are building eight at the moment; we have eight under construction. Together with Mario, we have worked on a tender—and there are no competitors here so I can say it—and tomorrow we will be lodging a tender to construct 50 houses across the metropolitan area, under Bluechip.

**Senator SIEWERT**—So that is actual construction?

**Mr Murnane**—Yes, construction.

**Senator SIEWERT**—If I understood what you said earlier, that will be a range of accommodation types?

**Mr Murnane**—It may be. We are purchasing on the open market, so we are acquiring them. Some of them will be constructed, but we are going to purchase some. The way we did it was to run ads in all of the local papers across the metropolitan area and ask for landowners who had properties available for sale at the moment or had lots that were DA approved to lodge expressions of interest with us, and that is what we have based our information for our tender on. So we have already gone out to the market to find out the very best deals that we could get from the market. But there is a problem that we have encountered—that is, access to land. Getting cheap land or land at a reasonable rate is a problem for us. By just purchasing, we are not really increasing the size of the housing cake; we are just taking housing that is already there. What we want to do in the future is to concentrate more on getting land, developing it and putting housing on it so that we are not driving up prices from the market.

**Senator SIEWERT**—If you are having trouble getting hold of land, what role do you think government, at whichever level, has in ensuring the allocation of land to community housing?

**Mr Murnane**—We put a proposal to this council last week. We want its help, through local planning provisions, to work with us and encourage developers—even for the council to make any surplus land that it might be holding onto available for affordable housing. We can guarantee that we would hold it in perpetuity for affordable housing. If the need suddenly changed some years down the track, the money that would be generated from the sale of that would go back into more affordable housing. So, yes, we need the assistance of local government, state government and the Commonwealth in getting land or in getting land rezoned to meet the requirements for affordable housing.

**Senator SIEWERT**—An issue that came up yesterday and has come up before is security of tenure. There is the issue around private homeownership—and I will do a double-bang question here—security of tenure was brought up and, from the way you have been talking, I take it that you are offering longer term tenancies?

**Mr Murnane**—Yes, we are.

**Senator SIEWERT**—You also made a comment about helping people into private ownership as well. How do you do that?

**Mr Murnane**—The New South Wales government got burnt some years ago with HomeFund and now everything around assisting people into affordable housing or private homeownership is being coloured by HomeFund. The shutters are there and they do not want to talk about it. We are independent and at arm's length from government, so we have freedom. We have not reached the stage where we have enough affordable housing for rental, so it is only an idea at this stage. We put forward in that proposal to the Commonwealth how we might go about assisting people into private homeownership, but that is some time down the track. We are using the experience gained in the UK where local councils transferred a lot of the public housing over to housing association management and now those organisations are able to assist people into private homeownership. We have some ideas but we have not really thought them through thoroughly enough yet to be able to say definitively, 'This is the way we are going to do it.' The important thing at the moment is that we are concentrating on getting housing that is going to be available for a long time, and by community housing organisations holding or owning housing it will be available for lease for at least 40 years. It must have an impact on the market.

**Senator BARTLETT**—Just to position you clearly, I assume you would be a member of the New South Wales Federation of Housing Associations?

**Mr Murnane**—Yes, we certainly are.

**Senator BARTLETT**—We heard from Mr Farrar yesterday, so I was just placing you in that patch.

**Mr Murnane**—We are a foundation member. We were one of the organisations that set up the federation.

**Senator BARTLETT**—Yes, I thought you might be intertwined. To clarify as well: all of the housing you provide basically is community housing—it is private rental, in effect?

**Mr Murnane**—It is for rental, yes. At this stage it is all rental.

**Senator BARTLETT**—It is not like a co-op; there is no equity?

**Mr Murnane**—No. At the moment, on the social housing our tenants pay 25 per cent of their gross household income; on the affordable housing they would pay 30 per cent of their gross household income—up to 75 per cent of the market value.

**Senator BARTLETT**—A view that has been run a lot by a number of people including some who have presented evidence already—I am sure you have heard it in the broader debate—is about housing affordability, that it is a supply problem and that there is not enough land available or being released.

**Mr Murnane**—Yes.

**Senator BARTLETT**—We heard from the council here earlier, and I think WSROC as well, that there are places available and they are struggling to sell, so it is not a supply issue, at least with regard to this region. Basically developers cannot make a profit out of selling it as the demand is not there at the level they want to sell. Have you a view, in respect of your regions—I guess you cover a pretty big area—or in the debate more broadly about whether it is a supply issue or whether it is more about the big incentives to buy housing for capital gain and the impact that has on the private rental market?

**Mr Murnane**—It appears to us that demand far exceeds supply. We have been trying to negotiate with government organisations like New South Wales Landcom. Part of their charter is, I think, to have seven per cent of their supply for affordable housing. They have not been able to meet that.

They develop land and sell it to the developers at a reduced rate. They are trying to keep the costs down so that it is within an affordable range. That is only going to assist one family once but, if they gave us the land cheaper to develop housing, we would build rental housing on it and it would be there for a long time, available to assist a wide range of people. But there are things that councils can do as well, such as giving us exemptions from section 94 contributions—from development contributions. So there are lots of things that can be done, but the problem is that councils see housing as a state responsibility and are reluctant to get involved in it. They think that once they get involved in it they are relieving the state of its responsibilities.

**Senator BARTLETT**—A number of people have stated already in the couple of days we have had hearings that, when you are talking about the affordability crisis, it is the private rental sector that actually has the biggest problem at the moment. That is not discounting that there are other people struggling, but private rental is really the big area of strife. That is the area where you operate, so that would seem to be an area to focus on. As the area of greatest need now, your area of activity would seem to be a good place to target.

**Mr Murnane**—It is. The private rental market is reflected in our waiting list. At the moment the people who come to us for housing have to meet the Department of Housing eligibility criteria. So the same criteria apply to us. A lot of the people in the private rental market—particularly the young cops, nurses and those sorts of people at the lower end of the upper income scale; the median income scale—are really doing it tough, but through our social housing programs we cannot help them.

An indication of the size of the problem is the number of people that are now going to organisations like the Salvation Army and St Vincent de Paul for assistance to pay rent, and it has increased quite dramatically in this area. I do not know whether St Vincent de Paul have made a submission to you or not, but in July last year they released this little document called *Don't dream it's over*. It outlines some case studies of that very range of people that we are speaking about now.

**Senator BARTLETT**—My understanding of the figures of the number of people in private rental is that it has been fairly steady, probably growing somewhat in terms of the total proportion of the Australian population. It is between 25 and 30 per cent, depending on the part of the country. One of the issues that have been raised a few times as well has been whether we need to recognise that all of our thinking and policy settings about housing should not be driven towards an assumption of everybody ending up as a homeowner and that long-term, ongoing rental should be a valid option—indeed, a preferred option for some people. Is that something we need to change in both our social and cultural thinking and our policy settings and funding?

**Mr Murnane**—I think the reality is that not everybody, even those that want to be, can afford to be a homeowner. Some people have jobs that do not allow them, do not give them the opportunity, initially, to be homeowners. I see affordable housing as the way to also keep a lid on or to have an influence on the private

sector market rent. It would not necessarily keep a lid on it, but it would have an influence. If you have enough affordable housing for rent, it is going to have an impact on the private market. There is just not enough available at the moment.

That would take some pressure off the public housing waiting lists because people, even though they do not meet the income criteria, are able to get onto the public housing waiting list. They sit there thinking they are eligible for a Department of Housing house—for example, they may have been unemployed, have met the income criteria and lodged their application—and think, ‘Yes, I’m right; I’ve got an application in to the department; I’ve just got to wait four years,’ or whatever it is, but in the meantime they get a job and when they get their allocation they are not eligible. It is a problem. There is just not enough affordable rental housing available.

**Senator BARTLETT**—This is my final question. You would know, I am sure, that the federal government has put in place an initiative aimed at encouraging institutional investment in providing lower cost private rental housing—

**Mr Murnane**—Yes.

**Senator BARTLETT**—which seems to be somewhere along the lines of what affordability summits and the like have been calling for for a while. Firstly, I am assuming you think that type of measure, broadly speaking, is a good thing. Do you think we need to be looking at encouraging institutional investors to have that longer term vision into private rental and the role that community has and could play alongside that? Should we be looking at direct funding increases, for example, through CHSA renegotiation as well that is targeted at this time?

**Mr Murnane**—You are referring to NRAS or whatever it is now called—is it the National Rental Affordability Scheme?

**Senator BARTLETT**—I have lost track of the acronym—yes.

**Mr Murnane**—I think it might have had a name change. As I understand it—and we are quite excited about this proposal—there would be I think in rough terms about \$600 million available. The thing that made it exciting for us was that there was about an \$8,000 subsidy to go with it. There was a \$6,000 subsidy over a 10-year period from the Commonwealth and \$2,000 per unit from the state. When we looked at those figures, we could provide housing under that proposal. We have only had a very preliminary look at it, because we have been caught up with other things, but we could provide housing under that scheme, particularly, if those figures were indexed over a 10-year period. We have negotiated arrangements with financial institutions that are more than happy to fund us to be able to develop housing based on the figures outlined in the NRA Scheme. We think that is a positive move.

**CHAIR**—Mr Murnane, I thank you very much on behalf of the committee for attending this afternoon and for your assistance with our inquiry. I think for a number of senators, who have heard a little of community housing issues over the past few days, it has been an interesting opportunity to discuss this with you, so we appreciate that very much. I apologise for the general state of my health. There is not much I can do about it up here.

[2.54 pm]

**CRABTREE, Dr Louise, Research Program Coordinator, Urban Research Centre, University of Western Sydney**

**JOHNSTON, Ms Kate, Research Project Officer, Urban Research Centre, University of Western Sydney**

**PHIBBS, Professor Peter Julian, Coordinator, Academic Programs, Urban Research Centre, University Of Western Sydney**

**CHAIR**—Good afternoon and thank you very much for joining us today. Again, I apologise for the state of my health. Welcome to this afternoon's hearing of the Senate Select Committee on Housing Affordability in Australia. Thank you for your submission to the inquiry. We appreciate you providing it to us. Would you like to make a relatively brief opening statement, and then we will go to questions from members of the committee.

**Dr Crabtree**—I have had it handed to me to start off. I want to speak mainly to the latter half of the submission, which talks about alternative tenure models for broadening affordability in Australia. Basically, the submission is outlining the models from overseas—and the mechanisms of those—that are managing to generate affordable housing ownership in perpetuity. We have tabled three examples—deed restricted mortgages, limited equity cooperatives and community land trusts—and they vary in their complexity.

The most simplistic model is the deed restricted mortgages, which basically operate the same way that a standard mortgage does; there are just conditions appended to that mortgage which restrict resale and put criteria on the conditions of resale. So it is an indexed resale. There are criteria that homeowners have to meet before they are eligible to buy into that house. In the States, those have best operated when there is a partner organisation or a managerial organisation that holds those conditions in place so that there is monitoring in place. Where that has not happened, the criteria can be eroded quite quickly if people decide they want to ditch the affordability criteria and just make a windfall profit on their home. The key thing there is that there has to be a monitoring system in place, preferably through a partner organisation.

The way the cooperatives work is that individual residents hold a share in the co-op and the co-op holds title to the property. That puts the homeowner or the resident in a position where they own the company that owns their home, so they have an ongoing say in the management of the co-op and the criteria that are put in place. If affordability criteria are put in place, that is under the control of the residents. Again, where that has not been monitored then residents have been able to decide that they have had enough of that and they want to make some money now. So again it is that crucial issue of having, through the co-op, a complex board that brings in outside members so that the affordability criteria cannot be voted out. That is a model that is quite popular in Sweden, where they now have something like half a million people in cooperative housing and it has become a really mainstream part of their housing market.

The third example, which is probably the most solid, is the community land trust. Community land trusts actually take the land value out of the market and lock it away in perpetuity. So what changes hands is the value of the built form. That actually generates an ongoing relationship between the resident and this third party. The key strength that they have shown is that they can intervene, and they have intervened in the subprime crash in the States and have actually prevented houses going to foreclosure. Where there has been that ability to renegotiate with the partner organisation and work on capacity building of the household, they have actually managed to forestall houses going to foreclosure. The take-home messages, I guess, are because we are starting to sort of play with shared equity in Australia but in a very limited way. We are having these mechanisms where you can buy in, in partnership with, say, Westpac, but there are no terms put on resale. There are no conditions about holding that in perpetuity, so that it can be sold on after one homeowner, and you lose the subsidy. So the key thing is that, rather than having it as something that can disappear, you have an ongoing relationship between the resident and this partner organisation and that those relationships and organisations hold in perpetuity.

**Ms Johnston**—I will speak about the relationship between land supply and house prices. A simplistic understanding of economic theory suggests that if there are restrictions in supply relative to the demand for a good then the price of the good will increase. But there are a number of reasons why the assumptions in this model do not adequately explain the relationship between land supply and house prices. The first issue is the demand for housing. Population growth, demographic changes, changes in household structures and the creation of new financial products have all substantially increased the demand for housing over the past 20 years. Indeed, the Reserve Bank of Australia has suggested that throughout the 1990s people's capacity to

purchase housing has increased by 60 per cent. Researchers have argued that it is infeasible to suggest that land supply could rapidly expand to such an extent as to accommodate such a growth in demand.

The second issue complicating the relationship between land supply and house prices is the land supply process. The process through which land is released for housing development takes between seven and 12 years. There is no instantaneous increase in the supply of land in response to a surge in demand for housing. This lag in time between when land is released and when it actually becomes available on the market means there is little likelihood of a direct correlation between current demand and supply. Complicating this process further is this: landowners and developers may not respond to an increase in house prices in the ways suggested by economic theory. In particular, they may speculate that the housing market cycle has not yet peaked and hence hold off selling land or houses. Therefore the land and housing supply may fall even when house and land prices are rising.

Another reason for complications in the relationship between land supply and house prices is that it may not be possible to talk of a single housing market. Instead, researchers have pointed to the existence within any one state of multiple housing markets that may be only loosely tied to one another. What this means, in terms of creating more affordable housing, is that when new houses are built matters. For example, research has shown that releasing land for housing development in areas where there is little or low demand for new housing relative to other places with higher demand will depress prices in low-demand areas without reducing house prices in higher demand areas. In fact, house prices in the areas with higher demand may continue to increase if housing supply is restricted in these areas. The implication of this is that land releases to alleviate land pressures within specific local housing markets may be an effective way of improving housing affordability provided they are carefully targeted.

**CHAIR**—Professor Phibbs, it is your turn.

**Prof. Phibbs**—Thank you, Madam Chair, and thank you very much, Senators, for the opportunity to speak to you and for your having made the trip to Campbelltown. As you would appreciate, that is quite handy for the people at the University of Western Sydney.

I would like to say a few things about taxes and charges. One is that I think the taxation and charging system in New South Wales in particular has got a bit out of control and that state governments are looking at reasons not to spend money on urban development. You are seeing a situation where more and more of those charges are being passed on to the land supply process. In New South Wales until fairly recently, development charges were supposed to pay for hospitals, schools and emergency services, which was a fairly unusual position for a state government that would usually view those as a public good. Under the weight of criticism, they have slightly scaled back those charges, so now they charge only for the land component of those services; whereas previously they were charging for the service costs as well.

Another point I wish to make is the simple economic one that the key issue is interaction; it is not supply and it is not demand but the interaction between those two issues. Where you have a demand scheme that is not doing anything about increasing supply, inevitably that will lead to increased house prices. One of the other issues as to that is that the state of the market is very important. In a very hot market you increase demand and most of that increased demand is reflected in a price change. In a slower market that might not be the case. For instance, on the issue of land charges, in a very hot market if a developer has to pay a large amount of land charges they will actually absorb some of those land charges and take what is possibly a reduced profit on the basis of what costs they think they can pass on. In a slow market they will actually try to pass those charges back to the owners of the rural land. One of the myths that occur in the whole debate about developer charges and infrastructure charges is that the charge is always passed on to the home purchaser. I would argue, however, that it really depends on the state of the market and that in a slow market there are lots of opportunities for those charges to be passed back to the landowner, the farmer who sold their orchard or whatever it was. That is all I want to say. I am very happy to answer any questions you might have.

**CHAIR**—Thank you and thank you all very much for those observations. We are very glad we can be in Campbelltown too, Professor.

**Senator FIFIELD**—Dr Crabtree, of the three interventions that you referred to, community land trusts seemed to be the one for which you had the greatest fondness. I was wondering how extensive they are overseas. You mentioned the US experience, but is that really just a very small-scale trial or is there anywhere where it is quite extensive? I imagine that, to be part of the answer to providing affordable housing, you would have to have thousands, if not tens of thousands, of these properties.

**Dr Crabtree**—They are a model which people in the States seem to think is about to hit its stride. They have been small scale but they are building momentum. At the moment, there are several thousand houses on community land trusts in the States and there are about 200 land trusts. The biggest of those have been in the order of maybe 100 houses, but there are moves in the States at the moment to start a program of these larger scale trusts, so they have just been sort of given a vote of confidence and three trusts are going to be launched by state agencies that are going to be developing in the order of thousands of households. It is yet to be seen how they operate at that scale, but they are building the momentum over there at the moment.

**Senator FIFIELD**—How do they separate out the value of the built form from the value of the land? If it is a free market in relation to the value of the built form and you have a decent tenure over the built form, what would stop the built form ultimately taking on and including the effective value of the land, even though technically you are not purchasing the land, because, for all practical purposes, it makes no difference to the person living there? How do you actually stop the prices increasing? Do you see what I am saying?

**Dr Crabtree**—Yes. I think it is an artefact of the scale of them. Because there are other properties around that are showing what the heating of the market is doing and showing what the relative values are, they can say: ‘We can take that land value out because we know that that block of land has just gone for half a million, so let’s assume that, of the \$750,000 of this house, half a million is the land. Then we’ll lock that out.’ If you got to a scale where you did not actually have any land that was in the open market like that, then you might lose your point of reference for pricing, which would obviously generate some problems. But at the moment how they operate is that they tend to price on the basis of the construction costs. Most of these agencies develop as well as retain the housing in perpetuity, so what they have been able to do is buy the property, which the trust then holds, then someone like a co-op comes in and develops and then a shareholder buys a share into that cooperative, which is then indexed. So how the price of that is set over time just refers back to that indexing formula in perpetuity. That is how the mechanism works over time. What they are basing it on at the moment is just construction costs. With purchasing into an existing built environment, it does become tricky, and that is where you have got to have an open market land value, I guess, against which you then mark itself. It kind of relies on an open market ‘other’ to get its pricing, if that makes sense.

**Senator FIFIELD**—So the trust which actually holds the land would have a say in what the built form could be sold for?

**Dr Crabtree**—There is a ground lease between the resident body, whether it is a co-op or just a homeowner, and the trust. That ground lease dictates the terms of the ongoing occupancy.

**Senator FIFIELD**—One of the WSROC representatives this morning was arguing that local government rates should be unpegged as they are elsewhere in Australia. His rationale was that this would allow local government the capacity to fund some of the basic and essential infrastructure rather than loading those costs upon developers. Is that something that you think would be a good idea to help take that cost off, in effect, the person buying the property initially and spreading it over the community more generally?

**Prof. Phibbs**—I think rate pegging is not incredibly useful for ratepayers and councils. There are a lot of checks and balances in local government. If the council puts rates up too much, they will be out the door at the next election. It has led to situations where, particularly, smaller councils really struggle financially. As a result, they are looking at a whole range of schemes to fund things when spreading it out over a longer period of time through rates would certainly make it easier for home purchasers. I suspect there would not be a lot of resentment amongst the citizens. At the moment it is very painful for a council to try to increase its rates above the level that the state government sets which often is quite small—two or three per cent.

**Senator BARTLETT**—Quite rightly, rather than focusing on supply or demand, you talked about the interaction between the two. One of the things I note in your submission is that under the criteria regarding assistance for first homeowners you suggested that consideration be given to making this assistance tenure neutral—that is, not dependent on homeownership as the preferred tenure form. How would that sort of thing work? Obviously, it would not be first homeowners if you are talking about it being tenure neutral, it would be just assistance for people to—

**Prof. Phibbs**—The first home owners grant was fairly ineffective as an instrument. Politically, it was very popular because people like getting grants, obviously, but in heated markets it simply was passed on through the price. I suspect the price went up more than the actual value of the grant. Tenure neutral was what you were asking Mr Murnane about before. If you actually are trying to assist in the housing market, the biggest priority is an affordable rental scheme rather than necessarily a homeownership product where the value of

your assistance is being dissipated by price increase. If the federal government is going to get involved in housing assistance, I would see assistance across the tenures as being more useful.

**Senator BARTLETT**—Your submission collectively has referred a couple of times, in quoting a whole range of different reports, to the Productivity Commission report from 2004. Amongst other things that recommended an examination and assessment of the impacts of all the various existing tax measures and the interface between them—capital gains tax and how that interfaced with negative gearing and so on. I am a little bit surprised that it has not instantly measured the revenue foregone through things like the capital gains tax exemption on the family home, for example, just so we know dollar figures and what value we are getting for it, the impact on affordability and all those sorts of things. I guess it does go back to the question of the interface between supply and demand and how they intertwine as well as all the different markets that we call the housing market. Do we need to examine that, given the amount of money that is tied up there?

**Prof. Phibbs**—My personal view is that some way of sharing part of that large gain—I would not call it a capital gains tax—in metropolitan cities into the broader community might be a good thing, so I would look at maybe re-examining things like stamp duty. That is my personal view as an economist. I think that, realistically, the chance of capital gains tax being introduced on the family home in my lifetime is fairly remote. I think there are probably some other opportunities in the taxation area, and I think negative gearing could be an opportunity. I would see a negative gearing system where you might tune the actual rate of assessment so it is focused more at the low end of the rental market, where I think the need is greater. You might have a system where you might grandfather the existing negative gearing system and, where people are actually targeting a lower value rental property, you might increase the rate of the tax credit they could get from that negative gearing. I think at the moment negative gearing is quite a blunt instrument. I think my colleagues Professor Yates and Professor Randolph, who were talking to you yesterday, worked on that same project.

When you spend your time going around to Australian suburbs trying to find out who is struggling, the thing that really sticks out is the people on fixed incomes in the private rental market. A whole lot of people in Australia are sitting in rental properties and, when it is coming up to pension day, they are hungry. They are really the battlers in our society at the moment. I think that trying to encourage supply at that end of the rental market would be very important in terms of reducing some of the price pressures in the rents that they are experiencing. They are at maximum rent assistance, and essentially what happens is that, as their rent goes up, one other thing that they normally purchase disappears. They are leading very meagre lives. It does not make you very proud to be an Australian when you hear the stories of decent Australians who, after a long and productive career as Australian parents, are sitting in very pokey flats and essentially, coming up to pension day, going hungry. I guess that comes back to my point about diversified assistance. When you go and visit those people, the idea of giving first home owner grants to millionaires, when the assistance disappears in the price anyway, does not seem like very effective policy. I am sorry; this is a bit of a thing for me. I have spent a lot of time doing this in the last couple of years and it is a sad story. There is a documentary we made—I think I forwarded it to the inquiry—that features a few of those pensioners. It is worth having a look at if you get a chance.

**Senator BARTLETT**—Going back to the issue of the totality of a pile of money that is meant to be a housing assistance measure and assessing the effectiveness of Commonwealth rent assistance—which is obviously targeted at the private and community housing sector; I think it is \$2.2 billion a year now—I am not suggesting we scrap it, but do we need to re-examine how effective that is and whether there is a better way we can use that amount of money and whether it is just feeding through into inflation?

**Dr Crabtree**—From my discussions with the community housing sector and the cooperative housing sector, I think there is a potential for better use of those funds. It does tend to just feed through into private landlords' pockets and does not actually do anything about addressing the supply of affordable housing. From my work with the sector in Australia, I would say that there are better ways, or maybe it is worth looking at better ways, of using that money.

**Senator MOORE**—I have one general question for the three of you. How do you get your voice and your interpolicy development, in that your school has been working in this area for a long time, producing papers and contributing to things like the Productivity Commission, as well as fora that are planned?

But I think there has always been a sense that there was not much coming out the other side in terms of the interaction, so I would like to hear what you hope will be the way that this debate will continue. It is going to continue, because there is not going to be a simple answer. We will not have the answer tomorrow; this is



going to go on. We heard from some witnesses that it has been going on for 15 to 20 years, and—oops!—there it is. What is going to happen now? How can we best keep the dynamic—

**Prof. Phibbs**—I will make an observation. I have been in affordable housing research for about 10 years. For probably the first nine years the phone did not ring, and in the last year everyone has been ringing me up. I spend most of my time talking to radio stations or the press, who are looking for that little punchy story about affordable housing. I think what has happened is that the children of people in powerful and policy positions are now saying, ‘Dad or Mum, I need to borrow \$200,000 from you because otherwise I can’t get a house.’ Housing affordability is an interesting area because, for some in the market, the more prices go up, the happier they are. When you are a politician a large part of your constituency think you are doing a great job because their house price has doubled and they feel wealthy, but a much smaller group, maybe 10 or 15 per cent, think that their lives are possibly over because they cannot afford a home. I think what has happened is that the smaller group are now the children of the larger group, and people are saying, ‘You’ve got to do something to fix this because otherwise I’m going to have to loan my kid \$200,000 and, given their behaviour with pocket money over the last 20 years, I suspect I won’t get it back.’ It has really got so bad for people that it used to be seen as someone else’s problem and now it is seen as everybody’s problem because everyone has a story about a relative or friend that would appear to be able to afford a house and now cannot.

The point I reinforce is that we have to look across the whole issue. Even though homeownership is obviously central to the Australian core values, one of the things we have to realise is that, for a lot of people, homeownership will not actually occur. We will not go back to the good old days of the average worker being able to buy their own home. That is incredibly unfortunate, but we have to be realistic about that.

What we have seen in the US is probably the greatest financial crisis that the world has seen for 50 years that has been started by trying to get people into homeownership when they essentially cannot afford it. That is what we have to be careful of. We have to be realistic. We want to help people into homeownership but, if they cannot make it, we have to create some alternative housing products. Some of the products Louise is talking about sit in that category. We need some alternative housing products that are good, decent homes for Australians, so we have to look at the private rental sector in a way that we never have. It used to be seen as a form of transition before you got into homeownership. A lot of people now are going to spend their lives in the private rental market, so we have to look at things like long-term leasing and how we can make that tenure work better for Australians.

**Dr Crabtree**—If I could add something, I will play the generation card back at my colleague here!

**Prof. Phibbs**—The generation card—that’s right! I’m in!

**Dr Crabtree**—For the rest of us, I would say the key issue is looking at what the factors of tenure that we are trying to generate are. It is possibly starting to be less about profiteering and more about looking at things like the generation of security and stability of tenure and at models that can lock that in—so obviously there is a role in there for the long-term rental models that the community housing providers are able to roll out at the moment—and talking to those providers more about how they can expand and what their capacity is. New South Wales are talking about setting up dedicated growth providers, and a lot of these agencies are starting to express an interest in getting into other forms of tenure and leveraging the asset base and the knowledge that they have to broaden the products that they can deliver.

So I think a crucial dialogue in it, going forward, would be talking to the community based providers that are out there about what they can expand into and what they are willing to expand into, because what we are seeing is the need for tenure to start being thought about in different terms. It is not about: ‘I’m in and I’m going to speculate and I can profiteer.’ It is: ‘Well, what I actually want is stability. I want to be able to move around if I need to, but I want to stay put as well.’ And it is about the transferability of title, so that if you do want to leave something to your kids you are just leaving them something they can call home. It is not about: ‘I’ll leave you a nest egg,’ or whatever but about looking at those basic things about home and how tenure can address those and getting focused on that more.

**Senator MOORE**—The other issue that we have raised in a number of inquiries is the changing face of the stigma. There was a view at one stage that, if you were not successful, you had failed and it was your own fault. I think that this was one of the things with homeownership and property improvement. People built up. They started and went bigger and bigger, and that kind of thing. There was a sense that, ‘I’ve succeeded; other people should have,’ and that kind of thing. I got from your statement, Professor Phibbs, that you think that has changed a bit, that that little bubble—someone used that term yesterday—that people lived in, that, ‘I’m

successful and those people should work hard and become successful like me,' has actually been knocked around because their own kids are not going to be as successful. Is that just waffle?

**Dr Crabtree**—I would say that it is not waffle. I would say that it is becoming quite evident and quite widespread. Likewise, I have been researching this for eight years now. At the start of it, there was still very much: 'Well, why don't they just work harder? They're obviously just not doing something right if they can't get in.' And what was actually coming was a whole range of structural complexities and market changes and all sorts of things that meant that people doing quite adequately in perfectly fine jobs were just going to get squeezed out now. And there is the fact that it is actually hitting people's kids, and the whole key worker argument that is coming out, where it is policeman, nurses, firemen and so on and all those sensible, solid citizens who cannot get in. That is actually changing the perception of housing. I think that is probably going to be what drives changing tenure: realising that we have got to start providing more models for people who are actually capable but just cannot get into this ridiculously overheated particular form of tenure.

**Prof. Phibbs**—I think the other thing that is changing is that a lot of people with quite a lot of resources are making the judgement that they would rather rent. They are vesting their money in alternative investments, and they are seeing some advantages with increased flexibility—particularly younger professionals who could easily spend a fair bit of time in different countries. They are seeing that the homeownership market is less attractive to them probably than to their parents.

**Senator MOORE**—Do more people want to study in your area now? Is it more attractive?

**Prof. Phibbs**—Sorry?

**Senator MOORE**—Do more people want to study in your area? For a while, people would not choose to come and work in the field because it was one that did not have a future. I am just wondering whether the last couple of years have seen more people saying: 'This is an area I want to work in. I want to do this research.'

**Prof. Phibbs**—I can say something about that. We run some short courses in things like affordable housing. We are thinking of starting a graduate diploma in affordable housing. Certainly, 10 years ago, you would have to do a lot of marketing; now those courses are full. I think Brian, for instance, came to one of our courses earlier in the year. I think now is the time. Housing is more on the front page. It is easier to sell. I think there are a whole range of organisations like community organisations that want to engage a lot more with the process, and we seem to have a national government that is interested in some notion of some national housing policy. I think that always generates interest among students—but I will let you know in a few years.

**Senator SIEWERT**—I am really interested in the three tenure models that you have articulated in your paper and here today. In particular, I want to ask a few more questions around the community land trust. If I understand the process correctly, a trust would be established to hold the title. How would you see the trust being established? In America, who is setting up the trusts? Would community housing organisations be the sorts of organisations that you would envisage?

**Dr Crabtree**—I think they would be analogous bodies in Australia. Basically how they operate in the States is it is just a community based non-profit organisation holding title in perpetuity. The board of the trust is made up of members of the resident body, the broader local community and local representatives—government agencies, planners, architects and people who have had a say in the development of it. So the board structure actually balances the interests of the resident body with the broader community and state requirements. It sort of forestalls that possible voting out of affordability criteria. They basically operate in an analogous way to the community housing providers in Australia. So that would be the logical place to start.

**Senator SIEWERT**—I am also very interested in the comments you made about ensuring the protection of the in-perpetuity requirements. We heard a bit of evidence yesterday, and I also know from personal experience and knowledge, about how in the past—and I am talking 30 or 40 years ago—people on low incomes were assisted and they got housing commission houses. In fact, my ex-father-in-law did exactly that; he was a Dutch immigrant and ended up being assisted into Housing Commission housing in Western Australia. But those properties from over 40 years ago have escalated in value and those people and their sons and daughters have also benefited from assistance from the state in terms of helping them into affordable housing. The comments that were made yesterday were that those are the people now who are helping to distort things—they have made a lot of benefit out of it and to a certain extent that is making it harder for people today. If the assistance had been protected, it might have been influencing the market differently now. Is that what you are getting at when you say 'protecting in perpetuity'—so that they do not make huge windfall profits in the long term?

**Dr Crabtree**—Yes. What they have been doing with them in the States is making sure that people are not losing money on them and there is equity that accrues to the household over time, so that if people do want to sell then they have not just been throwing money away. But it is an indexed rate of accrual. It can be indexed to CPI or it can be indexed to a percentage of the increase in surrounding property values. It is basically just locking in those criteria over transfers of title so you can sell it on the open market, but the criteria keeps going with the title of the property in perpetuity. So, if you do leave it to your kids, they cannot profit on it either.

**Senator HUTCHINS**—Could I just interrupt there, Senator Siewert. Dr Crabtree, I did not have an opportunity to read the submission because I did not get a copy of it, but is it a particular area of the States that you are referring to?

**Dr Crabtree**—No. They are actually quite widespread. In about a week I am actually going over to visit about half-a-dozen land trusts. They seem to have been able to get this model up in just about every conceivable market over there. The most interesting one has got 40 hectares of inner city Boston and has generated affordable housing, employment programs and site remediation. They have managed to combine a lot of programs on a really big inner urban site that had a lot of complex challenges when they inherited it. They seem to be operating in just about every location. Some of them have been focusing on wilderness conservation, if they are out in the wilds and doing housing locally as well. I am going over there to find out how they have managed to do all these different manifestations of it.

**Senator HUTCHINS**—Are those properties owned by the various state or local authorities or are they owned privately?

**Dr Crabtree**—The land is held in perpetuity by the trust, and title to the property is held either by the individual resident or a body like a cooperative, and the relationship between the two is governed by a ground lease. It is a hybrid ownership model in perpetuity, so you have always got that partnership there over time. With that tripartite board structure, over time it can respond to changing surrounding needs and pressures as well.

**Senator HUTCHINS**—Thank you. Sorry, Senator Siewert.

**Senator SIEWERT**—That is okay. Dr Crabtree, has there been outside assistance? The way the government can help is obviously by allowing or facilitating that sort of tenure, but has there been funding assistance?

**Dr Crabtree**—That is one of the things I want to find out when I go over. Unfortunately, I cannot give you a short answer at the moment. I think they have been eligible to get things like the debt equity programs that New South Wales are running at the moment for community housing providers. I think there have been programs that have provided some funding and, as charitable organisations, there are things that they can get through philanthropic means as well. But I want to go over and find out how they are operating financially.

**Senator SIEWERT**—And that is a good point: if they have been getting philanthropic money, of course there is a much bigger philanthropic movement in the States than there is here, so I expect that they would not get the same philanthropic support—they could not because those funds are not accessible here.

**Dr Crabtree**—I think one of the opportunities for the Australian situation is combining something like the affordable housing models. So if you look at City West Housing, they have got a proportional breakdown: we will house this many people up to \$40K, this many—I think it is up to \$28K—this many between \$28K and \$40K and this many between \$40K and \$70K. If you start generating models that have that mixture of income streams, then you are generating more internal cross-subsidisation, so you get it a bit more economically viable. I think the model might be getting the income through those higher income households rather than having to rely on ongoing funding sources.

**CHAIR**—I thank the three of you for coming on behalf of the centre and the university today and for assisting us and for your submission. Dr Crabtree, if there is any salient information you come across when you are visiting the United States and it is readily transferable, bearing in mind we report in June of course, we would be very happy to receive it. I know there are members of the committee that are interested in that particular aspect.

**Dr Crabtree**—I will be happy to.

**CHAIR**—Thank you very much, and we look forward to hearing more of you on the radio, Professor Phibbs.

**Proceedings suspended from 3.37 pm to 3.57 pm**

**CHAIR**—The committee proposed the idea of having a community forum to conclude our day. These are always, to use a colloquialism, almost a ‘suck it and see’ option. One can provide the opportunity—sometimes people take it up; sometimes they do not. I am pleased to see that one of the councillors from Campbelltown City Council is here this afternoon. Welcome to you. We are going to give Councillor Burke an opportunity to make some comments this afternoon. Councillor Burke, you would be used to this. If you need a copy of the inquiry’s terms of reference, they are available through the committee secretariat.

If you want to take a couple of minutes to make the observations that you are interested in making on the question of housing affordability, that would be very useful. I do not know whether you will be followed by hordes of members of the Macarthur community—that is entirely a matter for them. As I said, this type of forum is very much an opportunity which sometimes is taken up and sometimes is not. I invite you to make whatever observations you would like to make. As I said to you informally, this is not about conducting a grilling or having an exchange. If you were willing to respond to any gentle questions my colleagues may wish to ask you then perhaps we might take them up with you, but I do know that you have time constraints as well.

**Councillor Bourke**—I appreciate the opportunity to speak to you about affordable housing this afternoon. In my role as a councillor, I have recently called for a report on ways that this council can work with the community and cooperative housing sectors to provide affordable housing in our community. The reason I did that was that this community does have a number of people who we would consider to be in housing stress—a significant proportion of our population falls into that category. Hence my interest in the issue.

Before I go any further I would like to clarify a few issues from where I am positioning myself. First of all, my real interest is in those people on a low to moderate income—that is, between the \$40,000 and \$70,000 income bracket. My concept of affordable housing is one which requires sufficient funds from a weekly income that will then leave more funds to cover the basic necessities to provide a decent life for people. As well, in terms of affordable housing, I am concerned that such housing be close to public transport, services and jobs, so it is a bit of a package. I also have an increasingly firming view that it is a not-for-profit sector that can provide affordable housing for people in this category. Why do I say that? It seems to me that the market presumes a return for investment and that is a return to individuals, whether that is directly or via companies through shareholders and back to individuals again. I am not sure that there is room here for those people on low to moderate incomes. What is helping me firm that position is a couple of experiences I have had in my time as a councillor on Campbelltown council.

The first one refers to the provision of accommodation in the seniors’ living area and the apartment accommodation area more generally. I noticed for a while that these developments were coming to us without any single-bedroom units. I found this a bit strange because it occurred to me that people who might be able to afford a single-bedroom unit might be pushed out of the market if they were then compelled to aim for something higher. So I investigated why this was the case and I learnt that, for a little bit more investment, to convert a single-bedroom unit to a two-bedroom unit, the return was significantly greater and worthwhile from the investor’s point of view. It seemed to me that that decision was not about providing for people in need but for returning investment.

The second experience that I had was one we have frequently. We get invited to visit new developments for the first home buyer, and I am increasingly struck by the standard of these first home buyer developments that I see. They are incredibly grand, much grander in fact than the house in which I live. I ask, ‘Why is this so?’ The first home buyer here is certainly not from the low- to moderate- income bracket. When I ask, ‘Why are these houses so grand?’ I am told that is what the market demands. I wonder about that. I wonder to what extent the first home buyer is looking for a grand first home or is it, again, a matter of: this is where the return is greater for the investor.

With these ideas in mind, I am a little concerned and I have misgivings about the current federal government’s plan to provide incentives to individuals to invest in the affordable rental market. I am not sure that this is an appropriate way to move. Again, it is about returns on investment, so where are the returns going to come from? Are they going to come from increasing rentals? Are they going to come from increasing government subsidies? Is it sustainable? Who is going to set the affordable rent? It would seem that perhaps the marketplace is.

Affordability is, after all, something that relates to income. An individual’s income and capacity to pay will dictate to what extent rental is affordable. It would make me feel a lot happier if that money were redirected to the community and the cooperative housing sectors. These sectors are geared to provide affordable housing for

the income group that I am interested in. Every bit of surplus is returned to maintain affordable housing. It does not pass on to individuals. It seems to me that this would be a better way for public moneys to be expended.

In thinking about provision of affordable housing it is important, from my perspective, that governments at all levels talk to the community and cooperative housing sectors and determine with them ways in which they can support their endeavours, because I truly do not believe that the market will be able to do it.

**CHAIR**—Thank you very much, Councillor Bourke, and thank you for taking the time to come here this afternoon. Ladies and gentlemen, I will adjourn today's hearing. I thank all of my colleagues, the secretariat and our sound and vision support, Hansard and Broadcasting, for attending. I particularly want to thank Campbelltown City Council for their hospitality and the use of these very good facilities today, and I also thank the general manager for his evidence earlier in the day. I think it has been a very important visit to Campbelltown in Western Sydney for the committee and I thank all of those involved. I declare this meeting of the Senate Select Committee on Housing Affordability in Australia adjourned. We will reconvene in Karratha next Monday

**Committee adjourned at 4.15 pm**