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SELECT COMMITTEE ON HOUSING AFFORDABILITY IN
AUSTRALIA

Reference: Barriers to homeownership in Australia

MONDAY, 14 APRIL 2008

BRISBANE

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

Monday, 14 April 2008

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

Senators in attendance: Senators Colbeck, Hutchins, Ian Macdonald, Payne and Trood

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.

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Committee met at 9.30 am

CHAIR (Senator Payne)—I am pleased to 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.

To date the committee has held public hearings in Canberra, Sydney, Campbelltown, Karratha and Perth. This hearing has been convened to receive evidence on housing affordability issues as they affect Queensland.

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, and the committee will 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, of course, also be made at any other time.

[9.32 am]

GILLAN, Mr Brett, Vice-President, Urban Development Institute of Australia (Queensland)

HAILEY, Mr Brent, President, Urban Development Institute of Australia (Queensland)

KINSELLA, Mr James, Manager, Sunshine Coast Branch, Urban Development Institute of Australia (Queensland)

PLANT, Dr Tanya, Manager, Strategic Policy, Urban Development Institute of Australia (Queensland)

SHARPLESS, Mr Robert, Ipswich Branch President, Urban Development Institute of Australia (Queensland)

STEWART, Mr Brian, Chief Executive and General Counsel, Urban Development Institute of Australia (Queensland)

ZALTRON, Mr Martin, Manager, Planning Policy, Urban Development Institute of Australia (Queensland)

CHAIR—I welcome our first witnesses for today, from the Queensland division of the Urban Development Institute of Australia, particularly the Chief Executive, Mr Brian Stewart. Thank you very much for coming this morning. Thank you for bringing such a stellar line-up with you, Mr Stewart. We are very grateful for that. Please make an opening statement, and then we will go to questions from members of the committee.

Mr Stewart—Brent Hailey will provide the opening statement as president.

Mr Hailey—The Urban Development Institute of Australia (Queensland) welcomes the opportunity to appear before the committee and commends the Senate and the committee for ensuring that evidence is to be heard in Brisbane and on the Gold Coast. Housing affordability in all of its facets is essential to the maintenance of a cohesive and just society. It is an issue that transcends political ideologies and goes to the heart of people's dreams and ambitions. It is also one of the key bulwarks of sustainability. Without affordability strategies to address this pressing issue, the goals of addressing ecological sustainability, economic growth and climate change become less critical compared to the pressing social issues associated with the absence of a home, and yet they are, in their own right, critical for our future. In broad terms, affordability has a number of significant contributing factors, many of which are being addressed by government at various levels throughout Australia today.

UDIA has provided comprehensive submissions to the committee at national and state levels. As senators would be aware, the specific problems and causation vary from state to state and from locality to locality within states, but a number of fundamental propositions are common. In our view, the supply of developable sites, the cost of construction, the provision of infrastructure and its cost, and the processing costs associated with the development process are the common and critical factors.

Unaffordable homeownership and an investment climate that generates reduced returns for investors lead inevitably to increased rents as more and more pressure is placed on all levels of the market, but particularly the lower end. The UDIA's Queensland inquiry report and the national inquiry report provide sufficient evidence to demonstrate that affordability is at a critical level today. With the national level of undersupply of housing approaching 200,000, according to most independent sources, it is now a compelling issue. As representatives of Queensland's development industry, we are pleased to give evidence and to provide any additional information that is sought by the committee.

CHAIR—Thank you, Mr Hailey. As no-one else has indicated that they would like to add anything at this point, we will move on to questions. As you have commented, both your national body and your state bodies have made separate submissions to the committee, and we have yours as well, which is very helpful to us. There is one issue that has been coming up in other hearings. It came up in Karratha, which I would characterise as having very extreme difficulty in relation to housing affordability. We were very pleased to have the chance to physically go there and see it—to the extent you can do that within a day—and talk to local community members there. But I wonder whether we are coming to a point where, for developers—for people in your business—it is in fact extremely difficult to develop what is called 'affordable housing' as opposed to other expectations that you pursue in terms of meeting the market's demands.

Mr Hailey—I think what has essentially happened is that, looking across Australia, there are different markets at play. We quite often in Queensland point to the Victorian template and say that they have done it

particularly well. What they have managed to do is put plenty of land supply out there but also combine that with infrastructure provision. So if you look in the western areas of Melbourne, the provision of the Western Ring Road, the provision of significant infrastructure and the rezoning of large quantities of land 10 years ago meant that that affordability level was maintained. And that government has been proactive in making sure that it is moving out ahead of the growth areas, making sure the infrastructure is in place, so that it keeps the cost of land down.

In Queensland we see the opposite happening. We have seen planning schemes that have almost constrained land supply, if you like, because of the inability to fund the infrastructure at a local government level. Because of that constraint, the cost of raw land has gone up, but also putting the burden of providing infrastructure onto the development community, which essentially is the new homebuyer, means that there has been a double whammy. So it has gone up at an accelerating pace.

CHAIR—I assume that you as an organisation lobby governments about the development of infrastructure. It has been a recurring theme in our discussions. I am from New South Wales and it does not even bear contemplating. We cannot even get car parks to match railway stations in New South Wales so that people can commute and do what they need to do and live where there is land or wherever they want to live. What sort of lobbying role do you as an organisation have in relation to infrastructure development here in Queensland?

Mr Hailey—Certainly we have been pushing the state government for more funding to the local authorities. There has probably been a cascading argument, if you like. We talked to the federal government about this several years ago—about more of the GST dollars reaching down to the local government level. The GST is raised by the federal government and placed to the states, and then the states look after infrastructure funding from there. That money was being spent by the states on state based infrastructure—highways, railways and those sorts of things—but it was not reaching down to the local authority level. As a consequence of that, in Queensland in around 2003 there were changes to the planning act to allow local governments to bring forward some infrastructure charging policies, which has happened. We have seen an acceleration of infrastructure costs being levied at the local authority level. We see that there needs to be a direct link between the federal government and the local authorities to provide that infrastructure.

CHAIR—So you mean developer contributions.

Mr Hailey—Yes, developer contributions.

Senator HUTCHINS—A few things in our inquiry are starting to emerge and I would be interested in your comments. You talk about housing affordability. One of the things that is starting to emerge is the issue of, for want of a better term, housing suitability. We were getting evidence in Perth that they cannot sell four-bedroom, two-bathroom places. With the housing prices as they are in Perth—where we from the east coast keep getting told the streets are paved with gold—they cannot sell them. In Campbelltown, in south-western Sydney, high-density housing which is close to the railway station—which can get you into the city of Sydney in one place in 35 minutes and in other place in 55 minutes—is not acceptable or suitable. People want a quarter-acre block. I would be interested in your comment about that. To me, that is emerging as an issue. It might be all well and fine to say that the infrastructure is not there, but people do not want to live in that house; they want to live in another one and we cannot make them live in that one. I would be interested in your views. It may be something you have dealt with before.

Mr Sharpless—I think there is a phenomenon that is with us today that probably was not around maybe 10 years ago. I give the example of our project called Springfield, in Ipswich. When we first started developing land out there, in 1992, we noticed that people would buy a block of land and spend probably the next 12 months building their house. They would spend every weekend out in the front yard landscaping, doing all those things that they could not afford to do when they first built the house. It probably took them almost two years to come up with a house in the form that they actually wanted. Now we do not see any of that. Now we see people shifting into a house with everything done up-front—swimming pool, landscaping, everything. My point is: I think people want everything straightaway these days.

Senator HUTCHINS—And often they are just for two people. They are not for a tribe or anything like that. They are just for a husband and wife. That was one observation.

Mr Sharpless—Because they want it straightaway, then you have got this decision about what sort of house you build. We still see the same thing—more people want to shift into a house that has got the flexibility for potentially the next purchaser. If they are an older couple, it is for their children, who might want to spend some time with them. Households are changing. We still see that a lot of people do want the bigger block with

a house on it. At the end of the day, you have to design product that suits all sections of the market, and the market is changing. We have also seen that one- and two-person households, younger families with no children, are the opposite: they do not want a large block of land; they do want to live much closer to public transport.

Senator HUTCHINS—If you were drawing up recommendations for our inquiry in relation to the sustainability of what people want, what would you be advising us to put before the Senate? As you said—and it comes back to other bits of evidence we have received—it seems that the affordability of credit in the last six to seven years has pushed people to have expectations which were not there a decade ago. How do we come up with a recommendation that might, in a way—

Mr Sharpless—My personal view would be that you have to start with that land size. It does not work in the current marketplace to have affordable housing on large lots of land, because land is a finite resource and the infrastructure charges that developers pay is obviously proportionate to the amount of land and therefore the number of lots that they can develop within that land. That is the starting point.

Senator HUTCHINS—Would you have a national land size recommendation or template? For a three-bedroom, one-bathroom place or—

Mr Sharpless—I will pass that over to Brent.

Mr Hailey—I think it is more about the mix of housing choices. If you can get the mix right and you can get the supply side of the equation right, then the rate of price increase can be kept at a moderate level. It is when there is a constrained supply or when the constraints come onto the supply that there is an issue. In the South East Queensland Regional Plan, you can look at the urban footprint and say, ‘Yes, there’s a lot of land in the urban footprint.’ But when you superimpose the planning scheme overlay—vegetation, bushfire hazards and all of those sorts of things that can impact—you chew up about 50 per cent of the land that is coloured pink on that map and deemed to be suitable for residential housing. We can get the mix right when we have the land that is available to us, but if you are buying a 30-hectare block and you are only able to use 15 hectares of that for development, then that will drive the price up. As you can imagine, the local authorities have to service a much broader range of land in terms of building roads and all that sort of thing in there. As such, that keeps getting divided between less and less land, so the infrastructure charges go up. It is probably going back to the fundamentals of land supply. When you put land out there, how much of it should be able to be developed? Should it be 80 per cent rather than 50 per cent?

Senator HUTCHINS—Or should it all be developed before people are able to move in? What is your view on that?

Mr Hailey—In terms of the infrastructure, that needs to be there. You need to put shopping centres in areas. That is where the Springfield development has been particularly successful. They have a lot of that infrastructure going in, albeit that they have been going since 1992 and the shopping centre turned up 12 months ago. And you would have liked to have had the railway station there 10 years ago. But it is on its way. It really needs to be infrastructure led development. Get the infrastructure in. Perth does it particularly well, but even there it was market forces that drove prices up.

Mr Stewart—I will add to that, if I may. This is a very complex problem that we face today. The solutions that we are going to need to find are not going to be as simple as they would have been 10 to 15 years ago, because we have a situation where there is a major affordability problem. There was a major movement of capital made available. There was a capacity for young families to access much more money and an expectation that they would be able to do that. The market, in a way, has soaked up that available capital from the two-person working family. That has been one of the causes of that additional demand that started in the very early 2000s and in the late 1990s as well. We are now in a situation where we have very high prices. The danger of flooding land supply, if it could be done, is that you might start to see negative equities, which is something that people do not want to see. So we need to have a very measured and thoughtful response.

That response is going to be very different in every different market place. Sydney is vastly different. In that case, one must ask how new entry dwellings at \$600,000 in the new major estates that are going to be built to the west of Sydney are going to help affordability. The answer to that is: not well. There are examples that have worked particularly well in Australia and there are some examples where we have not worked quite as well. The other thing is that the way the market operates, both internally within the development industry and externally as part of the structure of the economics of Australia, has also changed. That was one of the reasons

why we recommended in our national inquiry report that a ministerial council on housing affordability be set up.

We also saw the need to follow a similar model to the United Kingdom, which has put in place a National Housing Policy Advisory Unit, under Professor Stephen Nichols, at Oxford University, where they are providing economic modelling of the industry; looking at how the housing markets in every local authority are working; providing economic advice to the local authorities to make that work better in those areas; and putting out requirements on the availability of land supply in all local authorities by comprehensive planning instruments of five years for fully-serviced and available land, 10 years for land available in the planning scheme and 15 years for the longer term, so there can be a professional rollout of that land supply. They are also looking at the issues of demand in local areas, job creation and sustainability—the comprehensiveness of that.

We realise the federal government has a policy of putting in place a national housing affordability advisory unit. We saw that as a very positive initiative. We do think, however, that there is a need to have the two components very clearly delineated and directed. The first component is obviously the planning component at government level, and we see a ministerial council there being primarily a responsible body to ensure that the policies are delivered. There also needs, in our view, to be an independent advisory body that can provide very independent advice to government at all levels on how this new market is emerging and changing, and particularly on what is and is not working in local areas to restore that level of affordability.

Senator IAN MACDONALD—Thanks very much, Mr Hailey, and your team, for coming along. Obviously as people operating in the fastest growing region in Australia you are well qualified to talk on this. Thanks very much for bringing such a representative team along. I am from Queensland, as the chair said, but from the north—although as senators you are all God’s children as far as I am concerned! You mentioned a second ago, Mr Stewart, there are some cases where it has worked well. Can you remind me which they are?

Mr Stewart—Melbourne over the last three years is the best example that we see, certainly from here. One of the big issues is that this is so complex. If one looks at Brisbane, for example, at the moment the cost of providing affordable accommodation in infill is very severely challenged by construction costs—driven by raw land primarily, but construction costs are another challenge. So what land is available is not able to be brought into a developable end product in a lot of instances. The market is operating very differently even from one part of the city to another. Even though there have been some price increases, there are still first homes available around Queensland in the area of \$300,000.

Senator IAN MACDONALD—I notice in your submission you instance Capricornia, where you cannot get builders because they are all out working in the mines earning five times what you guys would pay them—they are being paid by people who are earning five times your profits, of course. In answer to Senator Hutchins’s questions you mentioned the UK model and the national housing policy unit, which you also mentioned in your submission. Do you have any concern that there might be a danger that, if you overregulate the development market, you may well get to a situation where the regulation also indicates what your profits are going to be or what wages you might have to pay? Is there a concern with the policy advisory units at national level that you are really digging yourself deeper into a totally government regulated industry which pays little regard to the market, profitability and investment?

Mr Stewart—I think there is a very substantial difference between monitoring and controlling. I think it is important, where we have markets such as the housing market, in its broader sense, that are providing products out to the community, that they are monitored. But in a very real sense the profits of developers are effectively monitored anyway, given that there are now a very substantial number of development companies that are publicly listed, and their returns are very clearly able to be assessed and evaluated, one shareholder against the next. That is one of the points I was trying to make before: that it is not the simple market that it was in the past. I think we have seen, from the difficulties that Sydney reached, that there is a level of expansion that you can get to and then you start having major problems and the market internally becomes dysfunctional—in between, say, the Blacktowns and in towards the centre of the city.

We are approaching an age in Queensland where, as I see it, it is quite unique. We are going to be looking at developing the new cities of the future—the Springfields, the Yarrabilbas, at Caloundra South and Caboolture West—because we cannot go on incrementally expanding. We are at a stage where in political terms local authorities are concerned about how they deliver growth, and rightly so—their job is to provide sustainable futures for all of us. But they cannot be timorous about that, because we do still have to provide housing and accommodation. That is the critical part of where we have fallen down, as I see it, in the last 10 to 15 years.

People have been timid—and with restricted funding, I guess, too—about the population changes and the societal changes that have meant we have an ageing problem, hospitals have needed major funding and education has needed major funding. We have backed away from providing the infrastructure that really drives the community and growth because we have had other very, very pressing priorities. I think we can see that particularly in Queensland.

Getting that balance right is very difficult, but if we do not, and we have ignored the housing and infrastructure at the present, we are going to create our own generation of problems, where generation Y will say: ‘Why should we stay in Australia? We are completely mobile. We can travel overseas and work. If I cannot provide a home or the type of future that I want to provide, I will simply move.’ Thus we lose the skill base, we lose a growing population and so on.

Senator IAN MACDONALD—Just moving on to your submission: you mention the Hervey Bay situation, where 12,000 existing developable lots contained under the superseded planning scheme have been excluded. I must say I had not caught up with that. What was that about?

Mr Zaltron—I guess it is an example of the way that the Queensland system has changed over the years from a system where perhaps councils competed to encourage development and housing to a system where we have much tighter control. In the Hervey Bay case, their planning scheme allowed for a lot of development, various people had taken up those options on purchasing that land and then the planning scheme was changed to reduce the footprint of the town. That was coming from one of the planning maxims—of trying to reduce footprint, trying to keep towns smaller than they were, without uncontrolled growth.

Senator IAN MACDONALD—Is it just in the planning scheme or have they given it over to parkland or something?

Mr Zaltron—They have locked it out of the planning scheme for the time being. It may come on down the track. If those kinds of planning changes are done without sufficient knowledge of the way the market works and sufficient knowledge of how they will impact on affordability, they can have real impacts and cause that kind of scarcity as land supply dries up. I think there really is an issue out there in terms of lack of knowledge about the amount of supply we need to meet the market—providing the diversity, providing the range of options for housing.

Senator IAN MACDONALD—Just as a yes or no answer—it is not really germane to this inquiry—if developers buy land under an existing planning scheme for development and then the zoning changes, is that compensatable these days?

Mr Kinsella—Sort of. The situation is that if they bought land that was, say, future urban and had not been zoned categorically then there is still a level of discretion there and that discretion can get tested in the court system. The entitlement to compensation may not exist in all cases. If it was zoned as residential land and they back zoned it, that would certainly be open to a claim for compensation.

Mr Stewart—There are also cases where the superseded planning scheme provisions can stay alive. If the local authority determines that it will reject an application on the basis that they put in a new planning scheme, then they are liable to pay compensation if they take away existing rights. Where there is a specific development entitlement, that situation prevails.

Senator IAN MACDONALD—I used to be on a council and used to be a solicitor and it used not to be compensatable in the old act. You mentioned in your opening statement, Mr Hailey, the GST. Am I interpreting your evidence, and the evidence of others, correctly? As you say, it is a very complex issue. Do I get an underlying theme that one of the things that could be addressed is if local governments were to take on a greater role in infrastructure costs which they now pass on to you, which of course pass on to the new homebuyer and which, as you say, affects affordability? Is that a fixable thing? If I assume that your answer is yes, you mentioned the GST and you would be aware that in Queensland—not in all states, but in Queensland at least, and it might have cascaded on to the other states—the local governments were to get a percentage of the GST at its inception. When the Democrats changed the articles on which the GST could be imposed, Mr Mackenroth was able to overrule the Premier at the time and take back the GST, because he did not want it going to local government. That is a bit of history. Is it worth while your association—and you would have a very willing partner in the Local Government Association—trying to urge COAG to look at making a provision for a percentage of the GST going to states to go to local government specifically for infrastructure?

Mr Hailey—If I can deal with the second part first, with regard to the GST a quite comprehensive submission paper from our New South Wales branch has looked at recycling GST from new housing—because

it is something that gets levied on new housing and not existing housing when it is sold—back into infrastructure. They have demonstrated in that paper that that could almost be self-funding, given the amount of infrastructure that is required in those new areas.

Senator IAN MACDONALD—I have not seen this. So they would hypothecate the GST on new houses to—

Mr Hailey—Local authority infrastructure.

Senator IAN MACDONALD—Is that doable? I assume that their paper has gone into it.

Mr Hailey—They have gone right through that as a detailed economic model and shown it to be a sustainable model. That deals with that GST issue.

Senator IAN MACDONALD—I forget what the percentage was going to be in Queensland—I am not sure that it was resolved. But the idea was one per cent of the 10 per cent GST going to local government, which is a slightly different suggestion to what your New South Wales branch is suggesting.

Mr Hailey—That circumstance that you pointed to, of Mackenroth having his win, was when the legislation was changed under our Integrated Planning Act to allow infrastructure charges to come in. That happened in 2003. Up until then, there was a system—

Senator IAN MACDONALD—So that was because of losing the GST—

Mr Hailey—Essentially, yes. What happened was we all accepted that there was a certain level of responsibility for some infrastructure charging in relation to water supply and sewerage—those essential services. What has happened since 2003 is that there are a couple of shires, now cities, to the north of Brisbane where they started adding everything in: they started going down the social infrastructure route as well. They would look at, say, the district parks and make improvements on the land, or look at the local library. But it went beyond just building the local library; it went to putting the books in the local library and it went to the photocopiers—saying, ‘They’ll need to be replaced every five years, so we’d better work out a 20-year life cost’—as well as the replacement of light bulbs and the running costs of the library. So everything got added into the equation. I think we saw the cost go from about \$5,000 to \$7,000 a lot to \$45,000 to \$50,000 a lot in terms of infrastructure charges, basically overnight. In some of our submissions we had a number of examples of where developers just walked away from options on land. That was one of the areas where that happened. Developers just could not make it stack up and walked away.

Senator IAN MACDONALD—Were they doing hospitals and schools as well?

Mr Hailey—No, that was left at the state government level. It was basically that locally funded infrastructure, the local authorities’ responsibility.

Senator HUTCHINS—So, say we have got a shire that is half-developed and we want to develop this new estate. The new estate is being asked to fund libraries within the shire, not just for the new estate, and fund other areas you just outlined. Is that what you are saying has happened?

Mr Hailey—Essentially, there is open access for anyone who wants to use that facility, yes.

Senator HUTCHINS—But the charges are not on the developer for the library to be in that new developed area; it could be throughout the shire and the other areas you outlined there?

Mr Stewart—They are based on a methodology which is based on need. The Queensland government has recently referred all of the costing methodologies to the Queensland Competition Authority to ensure that there is a level of equity as well. But, from our point of view, the significant issue with infrastructure is really intergenerational equity. Previous generations have had the benefit of being able to pay off infrastructure over a period of time through rates and through state taxes and charges. We have totally changed that model over the last 10 to 15 years, and one of the consequences has been increased costs for developed land out there in the community. Those of us who have had a free ride have benefited greatly, but our children are the ones who are going to be paying substantial costs.

If, because of whatever circumstances—government costs, natural disasters, wars and the like—we have to find a different way of funding into the future, we really do need to be careful about imposing the costs on the so-called developer, because that is largely the way the issue has been solved. People have forgotten that the costs are not borne by the developer; they are passed down to the consumer. So what we need to look at is how we will fund infrastructure into the future. Are PPPs going to be the way? And what is really equitable distribution? Because clearly, at the moment, it is inequitable to expect all of these charges to be rolled out.

In places like the Sunshine Coast, for example, there is plenty of land for development, but the planning structure around that—I am going to just very briefly defer to James Kinsella to let him tell you about the local growth management strategy there, because it is germane to what we are talking about.

Senator IAN MACDONALD—Particularly under the new mayor, I suggest. He is a great mate of mine, and I am glad he won, but you guys would not have been drinking too much champagne that night, I guess!

Mr Kinsella—Not a lot. The issue of the LGMS feeds from the South East Queensland Regional Plan where, whilst—

CHAIR—The LGMS being the local growth management strategy, for the record.

Mr Kinsella—Yes, sorry. So the South East Queensland Regional Plan mandates that each local authority produces an LGMS to guide its growth to deliver the targets stipulated in the regional plan. The difficulty with the Sunshine Coast and with the legislation as it stands is that, whilst, as Brent said, there is a lot of pink painted on the plan to say ‘this is where the urban footprint shall be’, the responsibility to deliver it has been given to the local authorities. And the LGMSs as they stand in draft form at the moment say, ‘Sure, we’re happy for you to develop, but you’ll provide absolutely everything,’ not as a consequence of development but as a precursor to development, which effectively does not stack up, will not stack up and is a fundamental impediment to moving forward on any of these greenfield sites which could develop in any ranges of densities to meet market expectations.

Senator IAN MACDONALD—Except if the estate is an estate for millionaires, who can afford to buy the land.

Mr Kinsella—The land is not waterfront necessarily. The land is greenfield land at the back of the Sunshine Coast—close to the Sunshine Coast but certainly between the highway and the beach, not on the other side of the highway. There is infinite potential there and there is infinite will, I think, in relation to the companies which own that not only to provide a pipeline for their own shareholders but also to deliver product in a responsible manner. But you cannot do that and build a train line for the Sunshine Coast. You cannot do that and build a regional hospital for the Sunshine Coast. This stuff comes through time. It comes as a result of funding which is generated by actually developing stuff on the ground.

Senator IAN MACDONALD—I come back to the first part of my very long question—and you cannot trivialise or precis a thing but, having said that, I am going to ask you to do it. Is one of the major problems you face the fact that local government does not have the funds to provide the infrastructure that local government traditionally and even now is expected to provide? If there were some scheme—I do not know what it is, GST or grants or whatever—that would channel more money into local government to do the things that we traditionally expected local government to do, could that have an impact on housing affordability?

Mr Stewart—The very short answer is yes, absolutely. The only qualification, as you said, is that it is more complex than that, because the land supply issue is obviously the critical issue associated with that, and then the time to get it out. There is no point in creating communities that are only going to be able to house millionaires, because they do not provide work in the community at the level where you need people working to provide a sustainable community. So the answer is yes, that is a very big part of the problem, as well as the processing costs, the delays, the times. The industry, in the last eight to 10 years that I have observed it very closely, has undergone a major transformation. That is partly as a result of the level of developers that are now in the community. You can see that through Queensland. Sustainable development is not just a byword; it is a critical part of the way they are delivering their services and a critical part of their accountability to their shareholders. There are a number of major developers that I could mention very quickly, but will not here, that have major components of their business designed to deliver sustainable development. We are doing all we can to assist in that regard. So it goes right into the heart of job creation, creating a sustainable community that is able to rely more on public transport and that is going to be sustainable in 20, 30 and 40 years time and longer.

Mr Hailey—You have heard Brian refer to the changes that have happened over the last 10 to 15 years. If you go back to somebody like Clem Jones in Brisbane, who sewered the city, he did not have an expectation that it was only new developments that were going to pay for that. He sewered an existing city and then the whole of the rate base bore the burden of that. He borrowed money to do it and then paid it off over time out of rates. I think tomorrow you will hear from our Gold Coast president, Col Dutton. If you have a council that goes in on the basis of saying, ‘If you re-elect us we will put rates down,’ all of the councillors get re-elected. This time around you have a council that is faced with incredible growth problems on the Gold Coast and the mayor has gone in on a platform of saying, ‘I don’t want to see the rates go up, and I will be asking for the

other councillors to support that.’ It is just not sustainable. If they were going up incrementally and being used to constantly fund infrastructure in the cities, we would not be in the mess we are in now.

Senator IAN MACDONALD—Wait until 1 July when you get your \$32 billion rate cut. We never buy votes!

Senator COLBECK—I think it is a good point at which to ask a question that Senator Hutchins and I were just talking about. There is obviously not rate pegging in Queensland?

Mr Stewart—Local authority rates have largely been restricted to CPI increases. In a number of localities we have been quite critical—this is going back eight to 10—

Senator COLBECK—Was that imposed by the state government or was that something that the councils themselves imposed?

Mr Stewart—It is imposed by the councils themselves.

Senator COLBECK—Yes, it is a slightly different situation.

Senator IAN MACDONALD—Imposed by the voters!

Senator COLBECK—Or by the voices of those seeking higher office. We have heard differing views in respect of the way that the infrastructure costs are built into the system around the country, and I have had some private conversations, particularly with some developers and contractors in Tassie, over the last week or so. I am interested in the impact of changing the system. Everyone is complaining about the fact that there are these significant costs built into the system; there are high charges and sometimes specific charges for a library or something of that nature, for example. We have had some evidence that if that system were to be changed and we were to revert to something like we have been discussing this morning, where there is a longer term or intergenerational approach to providing the infrastructure, that would not necessarily have an impact on the cost of housing. I find that a little bit hard to believe but I would be interested in your perspective.

Mr Stewart—If we are looking today at resolving the housing affordability problem, the principal difficulty is that land holdings have been bought over the last four to five years, and even last week, on the basis of what projected returns will be delivered in three, four or five years time when it reaches the market. So you cannot start attacking affordability by attacking raw land prices. There will be a two- to three-year time before you can impact from there. So the only way to really deal with it in a practical sense is to provide a greater level of funding to purchasers—which then increases demand and has its own difficulties—with the First Home Owner Grant, for example. But now that is quite minimal, compared to where it was in the year 2000, in comparison to prices.

So there are long- and medium-term solutions and there are also immediate-term solutions. In the immediate, what we have called for in Queensland, and did in 2006, was a moratorium on increases so that we could take stock and then move ahead. That is going to be the quickest fix that could be put in place, because even now we turn around and there is a doubling of infrastructure charges as all of the new system rolls in, and that will exacerbate the situation.

The other impact that this has in our view is that, obviously, it will be inflationary. With the price of housing being there and in undersupply, we will see rents go up and of course there will be huge pressure on wages into the future to meet those costs. Then there is the matter of those who aspire to pay off their homes being able to do so with a reasonable standard of living.

Senator COLBECK—You talked of what is happening in Victoria at the moment. I think someone mentioned that that has been going on for the last three years or so. That is obviously a policy approach that has been determined by the different state governments. Do you have any sense of what the drivers might be? Just looking at Queensland, particularly in the south-east corner, with the extraordinary growth that it has been going through over the last 10 years—and I know you mentioned the other infrastructure priorities that were involved—I am interested in getting a sense of what the drivers might be for the different approaches.

Mr Hailey—In Victoria, they have had very much a stated policy of keeping 10 years of zoned land out there in the marketplace. In fact, down in one corridor towards the south-east that takes in the Cardinia and Casey councils, those two areas were becoming constrained. They saw that there was about four years zoned land out there. So the Growth Areas Authority actually stepped into the local authority and state government process to accelerate the process of rezoning. That is all coming through the system now. From a wider perspective, there was an announcement just recently by the Brumby government saying that, for everything

that is inside the UGB—urban growth boundary—that is not currently zoned, they are going to move to have it rezoned. They will accelerate that process using their Growth Areas Authority.

They have a fundamental sense of keeping enough zoned land out there—even though it is in developers' hands—and appropriately funding the infrastructure. Melbourne is divided into four water authorities, for argument's sake, and those water authorities will actually set up the schemes and, if you provide some of that trunk infrastructure as a developer, they will then reimburse you because they are getting the income from the wider market. We do not have that operating in Queensland.

Going back to your previous comment about having a lesser up-front charge and paying it off over time and that not necessarily getting you an advantage in terms of pricing coming back, it would if you had land supply coupled with it. If you have a constrained land market and you take a cost away, the land prices will not come down, because it is the demand that is driving it. But if you free up the supply and then cure some of those cost aspects, the price probably will not come down but the rate of increase will certainly flatten.

Senator COLBECK—I understand, obviously, that it is multifaceted and there are a whole range of inputs that need to be developed, but one of the councils put it to us quite categorically that there would not be any impact on prices. Having a chat with a couple of the developers and hearing about the competition in the development market, we found that they were quite certain that they would be taking it out of their costings because they could not afford not to—because there is always someone in the market who will. Therefore, there has to be an impact. But I understand what you are talking about with respect to supply. How do you see that being built into the overall market? It obviously has had an impact on established property prices. How do you see that being built into the overall housing market, not just the development of new properties? It obviously has an impact on the established market. How does it fit within that?

Mr Hailey—I suppose that is one of those political conundrums. If you come out with a policy that says you are going to flatten price growth in the outlying suburbs, that probably means you are going to flatten price growth right across the market. Those people who have established homes that are a large part of their equity and retirement fund would say, 'There's a decision that has been taken to actually slow down the rate of growth of my retirement fund.' That is a bold move, but it is probably the sort of move that is required. That is what we say. Everybody in the housing market who has product now is having a free ride in terms of their equity increase as a consequence of what is happening out on the fringe and what is happening in the new home market.

Senator COLBECK—As a part of that, there were some reports last week that indicated that we had one of the most overcooked property markets internationally. My perception would be that the base prices, particularly in those new areas, are very much set around the costs of development of the overall package. So there is a flaw that is put in place by that. The established property market is to an extent, as we have just discussed, related to that. Again, it is a very difficult question about the fact that it is an overcooked market. Given that there is this very high input price that is established by the new development market, my view would be that if there is going to be a significant correction in the market—and you said in your documents that it has been going that way for the last 14 years—that potentially has an impact of saying, 'If the overall market is going to drop like that, that is another element that stifles development growth because that has an impact on the benchmarks of new development.'

Mr Hailey—I am not sure about the overall market correcting. Certainly, there will be elements of markets that will correct. Sydney, particularly the western suburbs, is a prime example of that. There are repossessions going on there and prices are coming back. Saul Eslake did a presentation the week before last to the UDIA Queensland members. He is probably taking an even more conservative view than groups like BIS Shrapnel. As I mentioned in my opening statement, by the end of the decade they anticipate that the undersupply of housing in Australia will be 175,000 units—houses, townhouses or whatever that might be—which is one year's supply. What we are finding is that, yes, there is a strain on the outer edges, particularly for single-income households and families, but what you also have is a skills shortage, so we are increasing migration.

Some of the people who are coming in are looking at Australia and probably thinking it is relatively affordable compared to the prices that they have been used to paying in the areas that they come from. Overseas migration is certainly still fuelling demand, but we need the skilled labour because we have so many people exiting the workforce. Those people are staying in their existing residences. It is not as if they are retiring, giving up their homes and creating supply. They are not; they are retiring and staying in their homes. But we have approaching 200,000 migrants a year looking for housing, in addition to our natural growth.

CHAIR—I have two questions. Unfortunately the Queensland government—on Friday afternoon, I understand—declined to appear before this inquiry, which puts them in the august company of the New South Wales state government. The Western Australian government, in contrast, was quite helpful last week. I understand the Queensland government have a Housing Affordability Strategy of their own. In the absence of being able to question them about it, do you have any observations as, I guess, stakeholders in the policy environment on that Housing Affordability Strategy and whether you think it is effective and useful?

Mr Stewart—We made a number of recommendations in July 2006, when we anticipated and saw this problem was starting. The Queensland government undertook its own internal inquiries and came out with the Housing Affordability Strategy in July 2007—I think 26 July. That strategy was very broad in that it was intended to address land within the urban footprint that existed under the South East Queensland Regional Plan. That process is continuing. There is underway a major review of the Integrated Planning Act, and that is being undertaken with very extensive industry consultation. In addition to that, the state government put in place an Urban Land Development Authority. We do not have, and have not had, a land commission of that nature in Queensland. The ULDA's job is to assemble and deliver housing through a number of major precincts, most of which are urban renewal and one of which is in Mackay. That is, in broad terms, the strategy as a whole. It is a very good and very solid start.

With respect to infrastructure charges, what the government have also done is to refer the equity of those charges for consideration by the Competition Authority. I think that through that we will see a standardisation of the application of their methodology. What that does not do, however, is to put in place a moratorium, which was one of the key platforms that we felt were needed to draw a line in the sand and then start exploring better and more equitable ways of providing infrastructure. I think the government got ticks across a number of large areas. We are yet to see the final outcomes of that. We would like to see that policy go further, from the point of view of putting in place an independent monitoring unit of land supply. Of course, we still hold that that independent national housing planning unit is really a key ingredient.

CHAIR—That policy the federal government has flagged?

Mr Stewart—Yes, similar to the UK model. We see that as being absolutely critical. This market has changed incredibly from one where growth could be delivered largely by individual privately owned companies. The economic structure of the world is rapidly changing, and so we are seeing a vast amount of development being undertaken by publicly listed companies, for example. They have different prerogatives to those which the individual landholders and landowners of the past had. For example, some of those could stop development for any period of time if markets went bad. That is not going to be the case today because you have very large set-ups to do it. So the economic basis—the impact of this on the economy and the impact of a loss of growth and development on job creation, the state economy and the national economy—is, to our mind, a really critical feature today.

CHAIR—I have a final question on the undersupply, linked to the skills shortage. A number of the peak groups, such as the MBA and the HIA, have commented to us on skills shortage issues, particularly the difficulty of using entrants in the migration stream under 457 visas. It is not particularly practical for the construction industry as far as I can tell. Certainly that was the view of Dr Silberberg, from the HIA. You say that Saul Eslake—whom I have also known for many years; I suspect Senator Macdonald may have as well—estimates the undersupply by the end of the decade—in two years—to be 175,000. We are looking at a skills shortage which is obviously very significant; it gets raised in different contexts across almost all of the submissions. The Brisbane City Council raises it in a submission which I think is, impliedly, reasonably critical of developers; you raise it; it has been raised elsewhere. The National Rental Affordability Scheme I think contemplates the construction of 50,000 rental properties over the first five years and 50,000 more, if it works. I cannot actually see how this is doable based on the skills environment and the land supply environment in which we are working and all the other factors which we have been discussing with you today. How is this doable?

Mr Stewart—I think it will be a great challenge. For that reason I will pass over to Mr Brett Gillan.

CHAIR—I agree with you, Mr Stewart. Perhaps you have even understated it. Mr Gillan, I believe the hospital pass is yours.

Mr Stewart—Yes. There will be competition from infrastructure, clearly, but Brett is primarily involved with infill infrastructure and the delivery of infill housing.

Mr Gillan—It is certainly extremely difficult. We are continually looking at improving and making more efficient techniques to reduce labour forces so we are not having as many people on sites. We are seeing some improvement there. I think the industry are extremely efficient in the way we go about doing things, but we are coming into a market—certainly this year, and it is certainly going to increase next year—where there is a lot of competition from the building activity for civil and social infrastructure. I know that in a project I am working on at the moment our quantity surveyors are forecasting large increases in construction costs next year—double digits—because of that competition with social and civil infrastructure, which is going to lead to further increases in our construction costs. For infill projects, for example, the construction component is about 60 to 70 per cent of the overall cost of a development. That will put enormous strain on us to be able to deliver, particularly, infill projects that are affordable.

Senator COLBECK—Are those projected construction cost increases local or are they broader?

Mr Gillan—They are for Brisbane. That is mainly because of the competition. They are particularly concerned about the amount of social infrastructure work that will be rolled out next year: hospitals, jails and all kinds of infrastructure. There is an enormous amount of civil infrastructure which impacts on the structural costs like concrete, reinforcing and all those sorts of issues.

CHAIR—I heard a story last week about a by-product of the US subprime events. Apparently there are a lot of well-skilled US construction workers ready to make the move west to help us all out. I wonder if you have heard anything about that.

Mr Gillan—I have heard about it, obviously, from in the paper and things like that, but we have not seen it on the ground at all at this stage.

CHAIR—Thank you very much. That brings us to the end of the time we have available to talk with you this morning. Thank you very much for attending the committee this morning and for bringing people with such a range of experience. It is very helpful to us to get that range of perspectives, and we are very grateful for that. We also appreciate, as I said in my earlier remarks, your submission and that of your fellow institutes around Australia. You have been very helpful to our inquiry. Thank you very much.

Proceedings suspended from 10.33 am to 10.51 am

EDGERTON, Dr Brett, Private capacity

CHAIR—Dr Edgerton, do you have any comments to make on the capacity in which you appear and, following that, any opening remarks?

Dr Edgerton—I am appearing in a private capacity as a representative of my family, from Carindale in Brisbane, and also as the operator of my website www.geocities.com/homes4aussies. I sincerely believe that I am representing, with my best intentions, all working families and everyday Australians. As the document which I just handed to senators states, the housing affordability crisis is affecting my family. I was part of the brain drain, having been overseas for a few years. When we came back to Australia I was not able to get a job in my field as a scientist and we put off having a family. We started trying to have a family and fell pregnant but I had not got a job. My wife, who is an accountant, can earn much more money than me as a scientist, so the decision was taken that I would be a stay-at-home dad. As it turns out, our little boy has severe allergies. He has an anaphylactic reaction to some common foods, which means that I am now a long-term stay-at-home dad.

The housing affordability crisis led (1) to me giving up on my career as a scientist and (2) to us putting off buying a house for five years because we are unable to afford it, even though my wife is an accountant of 14 years. If interest rates were to reach nine or 10 per cent we would be severely squeezed and at high risk of losing our house. Now our ability to save towards that house has been severely cramped by a rent rise of 20 per cent or \$260 a month. From speaking to the agent the other day it looks like we are in for another rise in a couple of months.

Whilst I agree that development, supply of new housing and so on are major issues, the massive incentives to investors is a very significant issue. I have here, as was presented in my submission, an advertisement on property investing, on how to build real wealth, suggesting that an investor should buy a house each year. The second point in the advertisement is 'how to use your tax to pay for your property'. Giving investors more money in their pocket to prise first homebuyers out of the market is a major issue. The problem is that, as we heard from the previous speakers, the UDIA, they consider that new developments are mainly for first homebuyers. The investors are not buying new houses. They are basically competing for established houses and pushing up the price of established houses. So the enormous tax concessions, which according to George Megalogenis are costing Australian taxpayers \$9 billion a year, are not leading to an increase in the supply of housing. They are providing investors with more purchasing power, which is pricing first homebuyers out of the market and is not leading to an increase in supply.

CHAIR—Thank you. We appreciate your interest (a) in coming here today, (b) in making a submission and (c) in being available to make some comments to us. I am very happy for my colleagues to ask you any questions they may have, if you do not mind.

Dr Edgerton—Absolutely. If I make some comments I should be available to answer some questions.

Senator HUTCHINS—You were talking about your rent having gone up by 20 per cent. Over what period has that occurred?

Dr Edgerton—We had a 12-month lease. In December we got a notice saying that our rent for the next six months would be 20 per cent higher. So we had a 20 per cent increase for six months and we have been informed that we will have another increase.

Senator HUTCHINS—Are you aware of whether that is because the landlord has had an increase in taxes or charges applied to him? Is it because of demand and supply and because there are more people looking for a house?

Dr Edgerton—Certainly it is supply and demand. I know that our landlord has owned our house since before 2001, so has enjoyed a capital gain of 150 to 200 per cent. He owns at least six residential properties that I know of as well as commercial properties. In terms of his costs, I am not sure. He would certainly be positively geared on our property given that he bought it before the boom. The rent that we have to pay now would be more than the repayments on his initial purchase price.

Senator IAN MACDONALD—Just to be clear, what exactly are the property tax rorts that you are referring to?

Dr Edgerton—The negative gains provisions, allowing the offsetting of losses on investment properties against other income; the capital gains tax concessions, only having to pay tax on 50 per cent of the capital

gain; and the new one, which I am quite concerned about, with warrant type investments into investment properties within self-managed superannuation funds. All of these provide investors with extra purchasing power, which tends to be channelled to established housing.

Senator IAN MACDONALD—Are you critical of the capital gains tax exemptions for sales of private houses?

Dr Edgerton—Yes, I cannot see any reason why capital gains tax should not be on a private house as well.

Senator IAN MACDONALD—Your argument is that if an investor, say, did not get the capital gain on 50 per cent of the profit they would not be investing in houses; therefore people who wanted to live in those houses would be able to buy them?

Dr Edgerton—It would make it less attractive—for speculation, more so. There would be a relatively quick turnover. I think that investors are to be encouraged, but they are not to be encouraged to buy established housing. My view is that Australians would be better served if the incentives were based entirely on newly constructed houses rather than established houses so it led to an increase in supply, and I would be quite fine with an increase in those incentives on newly constructed houses, in this period where we are facing such an enormous undersupply.

Senator IAN MACDONALD—The argument being that, if there were more investors in new homes, they would more readily let those new homes to people who wanted to rent them? I suppose that is part of it.

Dr Edgerton—Yes, absolutely.

Senator IAN MACDONALD—The other part is that it would mean that established homes would not be such an attractive investment; therefore, the market might force the price down, which would mean that people like you could buy them at a reasonable price. Is that the argument?

Dr Edgerton—Yes, and those investors who still want to buy established houses will be accepting a yield of seven or eight per cent, because of course rental yields are going to improve because they are buying the houses at more rational prices. Pricing is mainly to do with the anticipation of a capital gain, nowadays, rather than actual rental yield, as I think virtually everyone accepts.

Senator IAN MACDONALD—That suggests—which is my understanding—that buying a place as an investment on the current rental return is not a terribly profitable exercise.

Dr Edgerton—No, because house prices have almost tripled due to the massive speculation we have had in the market. My argument is that houses are being valued as speculative assets, not as homes for Australians anymore.

Senator IAN MACDONALD—Yes. This has nothing to do with the inquiry, but what sort of scientist are you?

Dr Edgerton—Aquaculture. I worked for Biosecurity Australia for a while in quarantine policy development. I am an expert in freshwater crayfish diseases actually.

Senator IAN MACDONALD—Right. You are the people the local prawning industry used to love to hate—

Dr Edgerton—I was the person that they hated!

Senator IAN MACDONALD—Okay! I used to be fisheries minister, as you may recall.

Dr Edgerton—Until I left to go to France.

Senator IAN MACDONALD—I wish you well. It is an indictment of our society that scientists find it hard to get a job, whereas people like accountants do not—no disrespect to your wife or to the accountancy profession. I wish you well in what you are doing.

Dr Edgerton—Thank you.

CHAIR—Any further questions? Senator Colbeck.

Senator COLBECK—I am interested in some of the comments you have made to Senator Ian Macdonald. I sympathise with you in respect of the 20 per cent increase in your rent, but effectively that rent is moving with the market. That is essentially what is happening, isn't it?

Dr Edgerton—Absolutely, and I do not hold it against my landlord personally. The point is that the market has got a massive undersupply of rental properties, and that, as I understand it, is why we give such significant concessions to investors. That we have this crisis right now shows that those incentives do not lead to an

increase in rental supply; they lead to an increase in the proportion of houses being owned by investors. They do not lead to an increase in rental supply, and that is clear.

Senator COLBECK—I think you have pretty clearly stated that we need to shift our incentives towards the provision of new infrastructure rather than recycling, if you like, older infrastructure through the market. Is that right?

Dr Edgerton—Yes. I am sure you would be aware of the report by Steve Keen which shows that basically most of our credit expansion over the last 15 years has gone into paying more and more for the same assets rather than building more assets.

Senator COLBECK—You do not see any need to put any controls within the market with respect to rental increases, or anything of that nature?

Dr Edgerton—Fundamentally, I am against putting distortions in there. My point of view is that these tax concessions are the distortions and they need to be removed from the market to allow it to function properly. In the short term, while we are facing such a crisis, because the crisis has in part been caused by distortions maybe we need to add to them for a little while, but I think that the end game is to have a market free of distortions and then new house pricing and rentals will be a lot fairer with a free market.

Senator COLBECK—So potentially balancing out the way that taxes, one way or the other, are impacting on the market is a key to what you are talking about. Whether or not it is the removal of, say, the development taxes that are impacting on the cost of new development to make that more attractive, or, as you are saying, the incentive-to-invest taxes, there needs to be some rebalancing so that there is a direct move towards the opening up of more supply, rather than just recirculating the existing supply.

Dr Edgerton—Absolutely.

CHAIR—I want to ask you a question about your website: basically, what sort of a reaction have you been getting to *homes4aussies*?

Dr Edgerton—Quite positive. I also use some other outlets to blog and draw attention to my website. The other day someone said, ‘I would like to see some constructive comments against you so that we can open up the debate.’ I responded by saying, ‘Most of the comments that I get are just derogatory slurs and not wanting to actually talk about the issue based on facts.’ I have just been surprised, to be honest. I have had a lot of positive comments, as you will see in the guest books. But then you get a lot of people who are just so narrow and so out for themselves. They are so ‘anti’ to considering things to open up and increase fairness. My proposition, particularly with the first home savers scheme, is that what will happen without a significant increase in supply is that prices will plateau or maybe even drop a little bit. But in 2011, with these incentives to investors still in place, they will start buying again and by the time that people get access to first home savers accounts, prices will be beyond what is in those first home saving accounts. So the prices will start moving up.

People say to me, ‘Well, if you are a bright guy and you can predict that then why don’t you start investing and take advantage of that?’ My point is that I do not want a society which is two-tiered; where people use a system to get ahead at the expense of other people. I would rather see a much fairer system where everyone can afford a home, because it affects not just people who are going to buy but it affects people who are renting as well. At the end of a decade and a half of economic growth, we are seeing an up-tick in homelessness. I do not think that this is the way it should be in our society.

CHAIR—Thank you for your interest in the inquiry and for appearing here today.

[11.10 am]

PAPAGEORGIU, Mr Michael, Acting Manager, City Planning and Sustainability, Brisbane City Council

CHAIR—Welcome. The council has provided the committee with a submission. Thank you very much for that. It is submission No. 37. I invite you to make a brief opening statement and then we will go to questions from members of the committee.

Mr Papageorgiou—Thank you very much for the opportunity. Housing affordability is an issue that Brisbane City Council has taken great interest in. We reflect in our submission our concern that it not be treated as a very simple issue or in a simplistic way. From our experience, we have great difficulty in actually influencing a positive outcome. I just want to summarise some of the items that appear in the submission and then, as requested, explore further any questions.

The key point that we make in our submission—and it is a relatively brief submission—is that we really want to emphasise the need for a holistic approach to understanding and responding to the issue. We do have some information that relates to the context that Brisbane is in that illustrates some of these complexities for a metropolitan area. We also have some comments that relate to the impact of infrastructure charges that we have intimate knowledge of; the impact of regulatory systems, particularly the planning system; and the land release issue, which is our biggest concern in terms of the simplistic approach. Obviously land release is part of the solution, but we are worried that some segments of the whole supply chain that delivers affordable housing raise it as the most important. I have got some points that relate to that relative to Brisbane's position.

A point that we touch on in our submission that I would like to expand upon is employment growth and its impacts. We have quite substantial growth forecast for Brisbane and south-east Queensland, but the geographical location means that some of these solutions for housing affordability then get linked to the provision of infrastructure, in particular transport infrastructure. A final point is the real need for investment in urban infrastructure that actually complements the housing facility within the metropolitan areas. That relates to the issue of both renewal areas within cities and further expansion of greenfields developments, principally on the fringe.

I will just mention some contextual information for Brisbane. Brisbane City Council covers a population of just over a million people and we have some 380,000 residential dwellings in our area. Under the regional planning work we have been doing with the state government, there is a forecast for 2026 for Brisbane to grow to 1.2 million, which is relatively modest compared to the growth of some of our adjoining cities. The regional plan has set us a target of 145,000 new dwellings to be provided in that period; 115,000 of those will be infill dwellings, and the remainder, 30,000, will be greenfield.

The contextual issue for us is that we actually do not have a lot of opportunities for greenfield left within the boundaries of Brisbane City Council. So that 30,000 will be a tall order. We are also finding that the infill is a tall order because it is more complex development. It does mean that you can use existing infrastructure, but in many of our renewal areas we have found that the infrastructure needs to be replaced to take the denser development. So you can have substantial costs that are equivalent to the sorts of costs in greenfields areas, with the added complexity of existing residents and existing facilities to be managed.

The issue that I want to highlight that relates to the employment figures is that we have recently done a study with our state government and the regional partners in SEQ. It was undertaken by the NIEIR, the National Institute of Economic and Industry Research. That has forecast quite substantial jobs growth within SEQ, but the majority of that jobs growth will be in key areas, particularly within BCC. The CBD and fringe and the Australia TradeCoast ports area will have the lion's share of that growth.

The issue that we have is that we will have many more jobs forecast for Brisbane. Around 685,000 jobs are forecast to be created by 2026 at the moment. But according to this study we will have 1,050,000 jobs. There will be more jobs within the municipal area than the residential population of our city. That means that most people will be travelling from the surrounding LGAs. The issue of housing affordability compounds that in that if the only affordable housing available is on the fringe—for the reasons that I gave earlier—then we have a real issue with transport infrastructure. The council believes that part of the answer is good, efficient development in our surrounding councils. But we would also like good, affordable housing in our renewal areas and to be exploring the mechanisms to provide that. I might leave it at that.

CHAIR—Thank you very much. What do you call good, affordable housing? What is the cost of what you see is in that context?

Mr Papageorgiou—For some of the objectives that we have for housing we use the affordability definition from our state government, which is pretty standard across Australia—the 30 per cent measure that the Australian Bureau of Statistics also uses. Current figures tell us that all of Brisbane is becoming unaffordable. That is a real challenge for us. The affordability work that we have looked at shows that within the inner city we have real pressure on single person households, particularly for rental accommodation. That is a point that I should have made. It is not just homebuyers; there is the rental part of the affordability equation as well. In the inner city, we have real pressure on that rental accommodation, particularly for the single person households and the smaller households. In our outer suburbs—and Brisbane does extend quite a distance—we have problems with the traditional greenfields development and the house and land packages being difficult to afford for the family households, particularly in the purchase area. The objectives that we have are to have a proportion of affordable housing across all of those price points. Yes, there is the welfare housing equation, but particularly there is what we call key worker housing, which is housing that at the moment is just under the affordability level, particularly in the inner city and in some of the key locations throughout our city.

CHAIR—When you mention the welfare housing equation, does that mean that the council works in with the Queensland government in providing areas within your boundaries as welfare housing? Is that what it is called in Queensland—welfare housing?

Mr Papageorgiou—That is just the term that I am using to separate the different segments.

CHAIR—Is it public housing or housing commission housing?

Mr Papageorgiou—Yes, it is public housing. The sorts of initiatives that councils are working cooperatively with the state government on include the Brisbane Housing Company, which is jointly funded by the state government and the council. That looks to provide a variety of housing products. It is an excellent initiative, but the volume of units that it is producing will not be enough to meet the demand that we are learning about in terms of current pressures. The segments that the council in particular is trying to address include servicing the homeless. We have a particular interest there. In our negotiations and cooperative work with the state government, we pay particular attention to that segment. What I call the welfare housing area is largely a delivery issue for the state government, but we work closely with them in terms of land development and sites. We have more recently taken an interest in what sorts of initiatives the council could support that would provide more worker housing in some of these areas of great employment growth.

CHAIR—Worker housing, did you say?

Mr Papageorgiou—Worker housing.

CHAIR—That is for the key workers that you were talking about earlier.

Mr Papageorgiou—Yes.

CHAIR—You said in your remarks that opportunities for greenfields development are limited.

Mr Papageorgiou—Within our boundaries it is quite limited.

CHAIR—And opportunities for infill are challenging, to characterise it in the way that you did. How are you going to—

Mr Papageorgiou—How are we going to achieve our targets? We have prepared a response to the regional plan, which is called our Local Growth Management Strategy. That shows that we can, with the greenfields land that we have left and our identified renewal sites, approach that target that I mentioned. We will be able to develop. We have some large greenfields areas that we are currently working on. They are both in the south. One is called Rochedale. That is now subject to planning permits for major residential subdivision. There is another one that is a bit earlier in the process called Oxley Wedge, which we are working through and which may deliver something in the order of 6,000 dwellings. Rochedale would deliver about 7,000 dwellings. They are our two largest greenfields components left.

There are scattered throughout the fringes of our municipality areas that we have identified for urban subdivision. They are bits and pieces and they are dependent upon rolling out the infrastructure—water and sewerage, road infrastructure and other services—to those areas. They will add to the complement. So we are comfortable about meeting the greenfields target that was set. With the infill target, we have identified enough renewal areas, but the point that I am emphasising is that, when we go to those renewal areas, it does take quite a long time to actually prepare them for redevelopment. We find that there is often substantial investment

required, either to make those areas good for residential development—things like contaminated land—or to upgrade all of the basic services. Typically, the sewerage services need to be upgraded in these areas. Then there is the really difficult issue of providing good quality transport.

Another example of a renewal area is Northshore Hamilton—a very substantial piece of port land that is to be redeveloped. A key constraint is that its main access is Kingsford Smith Drive, which is at capacity now—you would have seen that. So trying to get about 7,000 new dwellings plus additional jobs into that quite large area will require some substantial investment. It will not just be about widening or increasing the road capacity; it is about the public transport services as well.

CHAIR—What diversity of dwelling is envisaged for those greenfield developments you were talking about? One of the issues which we have been talking about and grappling with is the large numbers of estates developed particularly in south-western Sydney—very much three- or four-bedroom and two-bathroom houses as far as the eye can see with not a lot of diversity built into the estates. I do not know whether it is a matter for the councils in terms of what planning requirements you impose in those developments.

Mr Papageorgiou—It is.

CHAIR—We talked to Campbelltown Council about it, and I thought they had an interesting approach. So I am wondering what your council's approach is.

Mr Papageorgiou—That is very relevant to our interests. I think it was some six years ago that Brisbane City Council resolved to rezone the Rochedale area that I talked about from market gardening to urban. The council is obviously quite protective of its green frame. One of the rationales was that if we are to create a new suburb it should be quite a diverse suburb and we should pay attention to the environmental context. A master plan was developed for Rochedale and that emphasised it as being an urban community, not a suburban residential estate—analogueous, I suppose, to the master plan communities that the development industry is coming up with, but with some additional provisions that have been written into the statutory document that will be used to approve developments. Some of the key features are that it has a town centre and zonings for denser residential development and mixed use development adjacent to the town centre; it has provisions for denser development along some of the main access routes, which will be the main public transport access routes; and it has some quite high environmental standards for the more normal subdivision of residential lots outside that. That had some resistance at the start because people were saying that that location—some 20 minutes from central Brisbane—should not be looked at to provide units. But now it is seen as quite sensible—that it is actually quite well located compared to some of the other areas that are now being master planned beyond Brisbane's boundaries. So the planning controls do have quite specific requirements for a variety of densities and a variety of housing products.

CHAIR—Would that have any public housing in it?

Mr Papageorgiou—There are objectives for public housing set out in those requirements. We do not have mandatory requirements for the private developers. We do have interest from the Brisbane Housing Company and from people seeking to take advantage of council's limited range of incentives for providing affordable housing. We have a program where, in our planning scheme, we give some small additional floor space and some relief from council charges if the developer includes, within their development, units for affordable housing, and they covenant them for 10 years. Our experience has been that we have that 10-year limit and after that it will revert to market housing. So our impact is quite limited, but that is what we are trying to achieve in these areas.

Senator IAN MACDONALD—Do you have a covenant for 10 years?

Mr Papageorgiou—We have incentives for affordable housing.

Senator IAN MACDONALD—What are they, just briefly?

Mr Papageorgiou—They range from floor space to plot ratio increases that apply in different residential zones. Where the developer proposes to include a component of public housing they can get additional floor space. They may get relaxation of car parking and they may also get a relaxation of some of the charges that council applies to the development, such as planning fees. And we are looking at reducing our infrastructure charges. Our legal issue has been that we have not found a sensible way of doing that for the purchase of affordable housing, so this is to maintain a number of dwellings as rental stock, linked to the affordability threshold as set by the state. We would be looking for two things: a covenant with the developer that they will be maintained as affordable housing for a period of 10 years and a management arrangement, so they may well get one of the existing providers to manage those units for them for that period.

Senator IAN MACDONALD—Is that unique or is it working somewhere else?

Mr Papageorgiou—It is a combination. Certainly, other councils in Australia have tried providing similar incentives. I think the floor space incentive has been tried before. We have been reviewing them, because until recently there has not been a very substantial take-up of this offer, and the response we have received is that the additional floor space is not sufficient to change the equation in terms of feasibility. Until recently we were not prepared to give a substantial discount to the infrastructure charge. It has only been in the last two years that the level of inquiry and indeed the level of take-up has actually increased. It has been very modest, but we see that it is now becoming more reliable.

Senator IAN MACDONALD—Do developers have a concern that if they are putting in lower class housing—that is not the right terminology, but you know what I mean—that area will affect the view of the adjoining higher amenity area? Have you had that sort of reaction?

Mr Papageorgiou—Because it is voluntary, we have mainly been discussing this with developers who are interested in the concept. That issue of conflict should not necessarily arise. We are interested in providing affordable housing within those categories that we talked about earlier, so if it is affordable housing set at the key worker housing level then the other tenants or owners should not know. It really would not make much of a difference what rent the people working in the next unit were paying. We have recently adjusted our incentives to make it clear that it can be for a proportion of the development. Before, it was read that the whole development had to be an affordable housing development to gain the incentives. We have clarified more recently that we are prepared to deal with the sort of mix that you are talking about.

Senator IAN MACDONALD—Finally—on your point, Madam Chair—you mentioned legal problems.

Mr Papageorgiou—With the covenant, yes.

Senator IAN MACDONALD—Have you resolved that? Are you able to tie them up for 10 years?

Mr Papageorgiou—We are able to tie them up for 10 years. There have only been a handful so far that have successfully been covenanted this way, though our level of inquiry is actually quite high now. The issue we had was the time. Originally we were looking for a 15-year period or longer. With advice and negotiation, 10 years seems to be defensible. The issue we have is that at this stage we can only apply it to a rental situation. The advantage, if you like, for the developer is that they get these incentives and they provide a proportion of their development and isolate it for this particular purpose. After 10 years it comes back to them and they can continue it or put it back on the market.

Senator COLBECK—I want to ask a question relating to the definition of the 30 per cent benchmark. Is it 30-40—30 per cent of income in the lower 40 per cent?

Mr Papageorgiou—Yes, that is right.

Senator COLBECK—That was something I just wanted to clear up with respect to what Senator Macdonald was asking, because it could be very easy to rent them out to someone who has got a high income and thus get around all your—

Mr Papageorgiou—No, we work pretty closely with the state to make sure, particularly when we are dealing with people who want to take advantage of an incentive, that we are clear about what groups are being targeted and who will be serviced.

Senator COLBECK—The issue from our perspective is that we get different people quoting different elements of that particular definition based on what their perspective is on the day.

Mr Papageorgiou—From council's point of view, we are very keen to be involved but we do not want to set up our own bureaucracy to define what affordable housing is. We would much prefer to work in with a national or state definition.

CHAIR—Trust me; there is plenty of bureaucracy available on that matter already!

Senator HUTCHINS—I have a few questions. One is on the mix of housing, and this goes to a bit of Senator Macdonald's question and to people being able to be there. We have had examples, say, in Karratha, where we were last Monday. There are high income earners up there, but they said at one stage that they spend 20 minutes doing the shopping at Woolworths but it takes two hours to get served because there is no shop assistant. It is the same with Sydney; Macquarie Street is full of doctors, lawyers, politicians and all that, who can easily afford to live in Sydney, but again there is no-one to serve you at the shop or do the cleaning because people cannot afford to live in that precinct. Is that what you are approaching with your plan? You

understand that you do need blue-collar and semiskilled workers in the city. Could you expand a bit on that for us.

Mr Papageorgiou—Absolutely. In the NIEIR study that was done for us—and it was actually done for the whole SEQ region, in which there are now 11 councils from the Sunshine Coast to the Gold Coast and into Toowoomba—we looked at the forecast for jobs, because that was not covered in as much detail in that regional planning work that I referred to. We all had our residential targets, which we are diligently working up strategies for, but it was a bit rubbery on the jobs front. The work that was done for us, and which has just been finished now, has indicated that we are going to have increased jobs growth over what was forecast two or three years ago and that most of it will be concentrated within the municipality of BCC. There will be some containment of jobs—that is what we call it when we have enough jobs for the dwellings within your municipality—within the Sunshine Coast and the Gold Coast, and there will be increased jobs growth in the west; in Ipswich. But the lion's share will be in the CBD and fringe—the greater CBD, if you like—and the Australia Trade Coast.

This is a real challenge. We are not there at the moment, but the affordability crisis at the moment suggests that it is going to be a big problem for us. If Brisbane gets priced out of the key worker market, then all our new key workers for these new jobs will have to come in from surrounding suburbs. If the transport system is very efficient that might not be a problem, but we are already having transport problems, especially public transport problems, at the moment. The studies suggest that there is a 45-minute work travel threshold and that after that people start to make different decisions in large numbers. It also suggests that it is not just a planning exercise of rezoning land in other cities and sending the jobs there. If we do not leverage off the concentrations that they are talking about, we will end up with fewer jobs for the region; that is the forecast. So council's objective from its current planning strategies is to make sure we have enough affordable housing within our boundaries so that some of those key workers can live in Brisbane and not have to commute.

Senator HUTCHINS—Does that include the mix of housing—from one and two bedrooms to three bedrooms to four bedrooms? Is that part of the plan as well?

Mr Papageorgiou—That is right. Because most of our redevelopment will be infill, we are increasingly seeing our new approvals go to medium- and higher-density type developments. I think that at the moment we approve something like 6,000 new dwellings a year within Brisbane, and approximately half now are medium-density dwelling approvals as opposed to a single house. Apart from our greenfields, there are still quite a lot of individual houses being built because of vacant lots or someone cutting a lot in half. That can still occur in many suburbs, so we will continue to see individual houses being part of our development front, but over time the percentage that will be medium density will grow.

Senator HUTCHINS—What about resistance to medium- and high-density housing? We have come across one or two situations where councils would like to do a few things not only on that but on rates, but it is just not in their political interests. Can you explain how you deal with that here in Queensland?

Mr Papageorgiou—Yes. Brisbane City Council has got a long history of working on renewal. The Urban Renewal Task Force, which was set up some 13 years ago or more, has some good successes to point to in Teneriffe, New Farm and more recently West End. We are persevering with that model of redevelopment, which is relatively well accepted for the products it can produce but it is difficult in terms of negotiating outcomes. There is always a debate with the existing community or the existing land owners. Even in industrial areas that are changing over, there is still always a debate. One of the learnings we have is that, if we can show that public amenity will be improved or delivered with the renewal areas, it makes them a lot more palatable. So we have really concentrated on making sure that public services, public land—in particular, parkland—and access to the riverfront are all built into those renewal plans early, because they assist in them being accepted as a useful future for the city. I would not underestimate the complexities involved in investigating and preparing such land for redevelopment, and I have touched on this before. You can have what looks like a great redevelopment site, but once you get in there you find that all sorts of things need upgrading and it needs quite a lot of investment.

Senator COLBECK—I might continue straight on from where Senator Hutchins finished, Mr Papageorgiou, with the comments you just made about the things that you find when you go into a redevelopment site and the cost of those versus, say, greenfields. We heard evidence in Sydney, I think, that a redevelopment type of offering is in fact more expensive than, say, a greenfields development. How does that fit into the overall housing affordability structure, apart from the fact you have got more supply?

Mr Papageorgiou—That is a good point. It emphasises the need to be holistic about looking at the whole chain in delivering housing product. One of the learnings that we have is that, while you would expect that renewal areas of high density should have some sort of economies of scale in delivering housing product, they are often offset by increased development costs. The Australian development industry, as you would have heard from the EDIA, is very, very efficient with a house and land package, but then there are all sorts of complications that come in once the house gets above two stories. They include things like unionisation of labour as well as increased costs for elements such as lifts. So that is quite a complex area and it seems to create a whole raft of new costs once you get above a certain density or type of product, and that is a real problem for us because, as I said, we do not have much of the greenfields left so most of our redevelopment will be in these high-density areas and it will be more expensive. Then we have that comparison issue, which is that if greenfields land some 50 minutes drive from Brisbane is available for development it might be more attractive from a development view because of that efficient house and land package approach, compared to the more complex and investment-heavy requirements of transferring the renewal area—the old industrial land to an urban village—with all of the public benefits that are required.

In terms of our charges, though, there is still a differential. At the moment the median cost of infrastructure charges within Brisbane City for a detached dwelling is around \$34,000—and those are our latest charges—and, for an attached dwelling or medium-density housing, it would be around \$24,000. So you can still get a better yield from the renewal areas, but the complexity is a factor, I think.

Senator COLBECK—I want to come to the actual development costs and construction costs, because, again, they tend to be more expensive per unit in respect of the medium- to high-density type properties. So effectively the only benefit that you get out of those particular developments is that the land unit cost is potentially lower, and that could be problematic depending on the location and the desirability of that piece of property. So in an affordability sense you have got potentially higher land refurbishment costs, if you like, with decontamination and the upgrade of sewer services—which I understand are particularly problematic—and then the construction costs. With all of those things, in a housing affordability sense, effectively all they do is contribute to supply, because they all add up to be, in the overall sense, a more expensive form of construction—or of supply, I suppose, rather than construction.

Mr Papageorgiou—Yes. They contribute to supply. The most attractive areas for renewal are the ones in the high-value suburbs, and they bring on premium product. That is why councils are interested in those sorts of initiatives we were talking about before: how can we require, encourage or incentivise a proportion of that product to be maintained at an affordable level?

Senator COLBECK—Going back to the public housing discussion that you had earlier, do you have any figures on the actual numbers, the volume of public housing? I notice you had several classifications: worker housing, welfare housing and homeless type housing. Do you have any figures on the volume growth or decline in public housing availability?

Mr Papageorgiou—I do not have those figures with me, but I am sure we could get them from the state government. Off the top of my head, something like 300 new state-owned public housing dwellings are created each year for the Brisbane region. If you look at the demand and the waiting lists, we need something like 3,000, so there is a huge difference between that and what is being provided. There are programs that the state government is talking to us about—renewing their quite substantial existing estates, maintaining those and putting new dwellings in those—but again that requires substantial investment, which has not been forthcoming to date. So there is a mismatch between the number of new dwellings being provided and the increased demand that we are seeing.

Senator COLBECK—We would certainly be interested in those figures, because the availability of housing stock has been a factor in all of our hearings so far. In fact, in Campbelltown we heard of one estate—I think it was at Minto—where they had taken something like 800 public housing units out of the stock without any replacement, which is obviously having a significant impact.

Mr Papageorgiou—That would be a concern here too.

Senator IAN MACDONALD—You mentioned in an answer to Senator Colbeck something which I do not quite understand. I think you said that if you are going high one of the additional costs—and you listed a number of them—was unionisation of labour. What do you mean by that?

Mr Papageorgiou—I am not full bottle on this, but there is a different category of construction once you get over two storeys. So all of the trades that are involved move from being subcontractors to being more

formally organised, and therefore there are all sorts of additional costs that apply to the actual building and construction. It is to do with the way the project is managed and some of the licensing that is required. They are issues that developers often raise with us. When they have a choice between low density and medium density, unless the medium density is substantially more generous, they say it is not worthwhile going down that path, particularly for smallish developments. So it can be much more profitable to put up two detached houses than to try a small unit complex.

Senator IAN MACDONALD—You say you are not full bottle on it. Who would be the best—

Mr Papageorgiou—UDIA and HIA could give you information about that.

CHAIR—I have a couple of questions in relation to some of the observations in your submission about infrastructure costs and the impact of infrastructure charges. We spoke to UDIA this morning. I find it slightly internally contradictory where you say that industry accepts council's methodology in terms of how you are funding infrastructure costs—broadly speaking, I suspect, industry says, 'Well, the cost gets passed on to the consumer, basically'—and then in the middle of that section you talk about subsidising the costs in the order of \$50 million over two years. How does all of that match together?

Mr Papageorgiou—How does it all work? On the issue of the cost to the industry: the industry takes a great interest in our infrastructure charges regime—

CHAIR—Not surprisingly.

Mr Papageorgiou—Absolutely. They have scrutinised it and we have been involved in lots of consultation with the industry about how we can improve or make even clearer our provisions. Obviously the industry are concerned, as under the legislation we are only allowed to charge for certain systems of infrastructure—very briefly, roads and public transport, water, sewerage, stormwater, parks and community land. We are restricted to those public services. Theoretically we can charge the full amount created by new development, but in the past we have never been able to charge the full amount. With our fellow councils we have been improving our infrastructure charges plan, so we are getting closer and closer to charging the full amount.

Part of the debate with the development industry is that they are not challenging so much our methodology; they are challenging the outcome. They are saying, 'The final figure is really high and hard to swallow and we'll pass it on,' and they are also saying, 'Wouldn't it be better if you funded this infrastructure for new development in a different way?' They have produced studies to show that government should fund these things because we can borrow more cheaply and we should then spread it across the ratepayers of the whole city. The reason that council has been reluctant to go down that path, with the other councils in the region, is that we have a substantial infrastructure bill coming for maintaining the existing infrastructure for the city and also what we call catch-up—infrastructure that should have been provided to residential areas but was not at the time. That is funded out of the rate base. New suburbs and new developments are funded, to the extent we can, through developer charges.

What we have tried to do in the past is, as we do our new schedules and do our new research and publish our new infrastructure charges plans, we have not automatically gone to the maximum number. Brisbane in the past has taken a stepped approach to getting closer and closer to full recovery. More recently, late last year we agreed to a 35 per cent rebate for two years, and that is the figure you talked about, the \$50 million figure. If we had brought in the new charges at the full amount, because we have now rebated at 35 per cent we would stand to lose that \$50 million. I gave you some figures earlier for houses and high-density units. The impact of that rebate means that the median figures now, under the rebate, would be around \$22,000 for a house and \$16,000 for a unit. It is a substantial rebate. The advice from the lord mayor was that we will provide that for the next two years and continue to discuss with the industry what we do after that.

CHAIR—While you say that you do not generally want to run the costs process through city-wide general rates, by subsidising it to the tune of \$50 million that is effectively what you are doing.

Mr Papageorgiou—That is exactly what is happening. That is right. It is a response to the pressures and negotiations. We are gradually increasing our charges as we do better work on identifying them, but we are conscious of the impact that it has, so we are careful in putting them out.

CHAIR—Under the heading 'Land Release', in the second paragraph you talk about the development industry releasing land in the shortest possible time rather than delaying release to maintain prices and prices growth. Is there an implication in that that you believe the development industry is holding back land?

Mr Papageorgiou—We believe that the development industry, particularly the larger players with lots of parcels of land to deal with, quite sensibly release them to their best advantage.

CHAIR—Well, that is their business.

Mr Papageorgiou—Exactly. That is what I mean about looking at the whole chain of delivery. Even if we provided for a greater amount of land to be released, developers looking after their interests would be making sure that it is only trickled out to the market in a way that meets their sequencing of development.

CHAIR—My final question is about planning staff, because you are not the only group to have raised with us the lack of planning staff in Australia, broadly speaking. Can you elaborate on that a little for us, please.

Mr Papageorgiou—It has been a real problem for the last three years particularly. It looks like being a continuing problem. We are getting into more complex areas of Brisbane to develop. The assessment planner requires lots of project management skills. We have been losing our more experienced planners over time to the very buoyant development industry. That then compounds the problem of historical high levels of files to deal with. The relatively inexperienced people who are placed on it perhaps lack confidence in some of these key areas. That can lead to extended time frames. Not to treat it in a simplistic way, another issue that I would emphasise, though, is that we could improve our time frames for decision making by encouraging our planners to refuse applications that are borderline. Instead, Brisbane City Council has a very high level of delegation. More than 90 per cent of all of our applications are delegated. We have clear instructions from our council to try and get a good development over the line. That will mean that one that is in a complex area and has perhaps a lot of environmental issues and a lot of local resident interest will take a lot longer to get there. That is because we are not refusing it straight up but trying to improve it so that it can be approved. That then leads to some issues with case studies where they say that it took more than a year for that major development to get approved, and that is true.

CHAIR—Do you have a view about the use of what I believe—if my recollection is correct—the Department of Families, Housing, Community Services and Indigenous Affairs representatives called ‘paraplanners’? They are diploma or certificate qualified planners doing the more mundane work.

Mr Papageorgiou—We are very interested in that. There is a course that is offered by the LGAQ here in Queensland.

CHAIR—Is that the Local Government Association of Queensland?

Mr Papageorgiou—Yes. That initiative started three years ago. People in local government who are already working in a planning office but do not have the qualification are helped to get this paraplanner qualification. That gives us an opportunity to provide more planning work to these people to free up the qualified planners. We have certainly been doing that. We have also looked at some other initiatives, such as farming out some of our planning work. We have a program called RiskSmart, which we refer to in our submission. The state government is particularly interested in it. Low-risk applications—typically industrial applications, but they can be very basic house extensions and other sorts of applications—can be farmed out to a select list of development consultants, who are then monitored for their performance. Where it is a relatively black and white decision, that decision can be made by these appointed consultants. The council still does the paperwork and checks it, but that can mean that there are very quick turnarounds for those sorts of approvals. It means quicker approvals for people in those cases and frees up our staff to work on the more complex applications.

CHAIR—I suspect that we have met the two most popular planners in Australia, and they are two people who moved from Canberra to Karratha to be planners.

Mr Papageorgiou—There you go.

CHAIR—They are extremely popular individuals. Mr Papageorgiou, thank you very much for joining the committee today. Thank you also for the council’s submission. We appreciate that and we appreciate your assistance to the hearing.

[12.01 pm]

ADAMS, Mrs Mary Anne Roselyn, Secretary, Gecko-Gold Coast and Hinterland Environment Council Association Inc.

DAVIS, Ms Sheila Eileen, Campaigns Coordinator, Gecko-Gold Coast and Hinterland Environment Council Association Inc.

BALTAIS, Mr Simon Joseph, Secretary, Wildlife Preservation Society of Queensland, Bayside Branch

CHAIR—Good afternoon. Thank you very much for attending the hearing today and for your submissions to the inquiry. I would like you to make brief opening statements, and then we will go to questions from the committee.

Ms Davis—I am happy to start. We will be providing a supplementary submission; however, it has to go through our management committee first, so it will be provided in the next day or so.

CHAIR—I understand.

Ms Davis—Gecko is the peak regional environment council for the Gold Coast. Our mission is to protect the natural environment and improve the sustainability of the built environment of the Gold Coast region. As such, we are very much involved with and continuously engaged in town planning matters, and development approval processes and the legislation that guides these. We have increased pressure on the release of land for housing affordability, which impacts on our natural areas. The legislation that is being brought in by the Queensland government to provide for more affordable housing is now overriding all of our restrictive legislation, including town planning provisions and the state's own restrictive legislation, which protects vegetation of significance and waterways and which even guards local communities from contaminated land and natural hazards. So we are very concerned about this issue.

One of the key drivers of the housing crisis, we believe, is the continued rapid population growth in Australia, which is a continent of very low carrying capacity, and most of the development is around the edges of the continent because the majority of the continent is desert and does not support human life. So we are developing our housing in the very same area where a lot of the native species of Australia also live. We wanted to address the issue of this population growth because it is a factor that is impacting upon all aspects of our environment. The global population right now is 6.7 billion people, as you may know, and we are adding another 75 million people every year. Australia's population right now is just over 21 million. However, Australia, as one of the 170 countries that attended the Cairo conference in 1994, agreed that we must limit population growth and stabilise the world's population before it reaches eight billion. Right now we are on target to reach about nine to 12 billion by the middle of the century.

We are facing extremely rapid population growth globally; we are facing the issue of climate change, which will be driving some people out of where they currently live; we are facing climate change refugees; and we are facing the other crisis of peak oil. All of these things impact upon housing affordability. They impact upon the land that needs to be preserved in order to provide areas for our wildlife to go in the face of climate change. They also impact upon the areas that we have available for housing, such as our coastal plains and our outback areas, which are no longer liveable in many cases.

I will just briefly go over some of the recommendations that we will be putting in our submission. One is that the federal government should seek to stabilise Australia's population in keeping with the ecological constraints of the land, its biodiversity imperatives, the environmental values of the land and its ability to support human populations. Part of this is that we provide the overseas aid to family planning that we promised through the 1994 Cairo conference; that we train our own skilled workers and that we cease poaching skilled workers from other countries; that we agree with the testimony by the Brisbane City Council that infrastructure development should be paid for by the consumer—by the developer—and we believe that infrastructure development should be limited. We also would recommend that there be no more land released for clearing for development, that all development sites be redeveloped sites and that housing be required to be not only affordable but accessible, sustainable and sensible to the biodiversity of the area in which it exists.

South-east Queensland, where we live, is one of the fastest growing regions in Australia. Simon Baltais has a presentation for you about the specifics of our region. I would like to hand over to Rose Adams, who is going to address some of the contentions of the development industry.

Mrs Adams—I am grateful for this opportunity to refute some of the claims that have been put out in the media. These are the repeated calls for more land releases and blaming the shortage of housing largely on three particular areas: government policy on land releases, high land taxes and other taxes, and government red tape.

We looked at a study by the AEC Group, commissioned by the Local Government Association of Queensland, into the reasons for housing affordability issues. We agree with their contention that enough land has been supplied to the housing market, but the take-up rate has lagged behind. This is repeated in the Brisbane City Council's submission. Many of these points were just covered by Mr Papageorgiou, but we would like the opportunity to lend our support to their submission.

The study also found that increased taxes have only played a minor direct role in increasing housing costs. There has been a call for red tape to be reduced in an effort to speed up the approvals process. We are very concerned about this because a large part of the need for this close scrutiny and what they call red tape is the need to see that development applications are fully compliant with local, state and federal legislation, particularly as regards the presence of state or nationally significant native plants and animals. The system already, as it stands, overlooks environmental values time and again in granting approvals that result in the destruction of habitat and wildlife corridors. To reduce this scrutiny even further will undoubtedly speed up the decline of our natural systems.

The development lobby has even put forward suggestions that they fund additional assessment officers so that councils can fast-track approvals. This hasty process would not allow due consideration of all factors and might pressure councils into approvals that do not meet all criteria. This not only affects our environment and wildlife habitat but exposes future residents to dangers from unsuitable sites, such as land slip, weather related incidents, and there also can be a reduction of social amenity.

Calls in the media for greater land releases ignore the fact that it is affordable housing that is in demand, which is not being offered in areas such as the Gold Coast. The buy-up of traditional beachside shacks and modest 1950s dwellings for very high cost makeovers has seen the affordable housing market dwindle further. Combined with the closure of caravan parks—a traditional housing choice for many low-income earners—we see an increase in commuting time and cost for those workers who cannot afford homes near their places of work.

During the course of our investigations post our submission, it struck us that the issue of carbon offsets has not been addressed by most submitters, and that is a serious consideration. The Queensland government put out a draft paper in November 2007 on the offsets policy, which was designed to offset the residual impacts remaining after all practical measures have been undertaken to avoid and minimise damage to the environment. This cost would be borne up-front by developers who could not manage to contain environmental impacts, but that will be passed on to the housing owners. It is not yet a requirement—but all states in Australia are looking at it, and at the federal level—so, if it becomes mandated that we must have a carbon offsets policy to counteract the loss of bushland, that cost will add again to the cost of housing.

CHAIR—Thank you.

Mr Baltais—I would like to table some further papers. If I leave them on the desk here, will that be fine?

CHAIR—Do you have a copy for the committee? Thank you.

Mr Baltais—To provide some background so that you understand that I have some knowledge on this matter, I am the secretary for the Queensland Conservation Council. I have a ministerial appointment to the Coastal Protection Advisory Council. I am also the president for Sustainable Population Australia, SEQ branch. I have also represented the community on town planning matters in the Planning and Environment Court on six or seven legal matters over the last two years, so I do have some background in planning and understand it to a fairly good extent.

I will just flick through this presentation because it is tabled. One of the issues we see that is driving housing affordability problems in south-east Queensland is the population growth. If you simply look at the current projections put out by PIFU, which is part of local government planning, we are well on track for four million by 2026. If you continue that trend using the rule of 70—which basically means that taking the annual growth rate and dividing it into 70 gives you the doubling rate—by 2056 south-east Queensland will have eight million and, by 2086, 16 million. That is on current projections. Really, we cannot sustain that sort of population growth.

What are the consequences? They are fairly obvious. We will lose something like 60,000 hectares of bushland and open space in south-east Queensland by 2026. If you look at CSIRO research, when you get

down to your last 30 per cent of bushland you start to see mass extinction. We are already starting to see that with our iconic species. If you take the koala, for instance, it went from common to vulnerable in 2004, and some of the populations in south-east Queensland are now endangered. If you look at some of what local government is putting out at the moment—what they are pushing through their local growth management strategies and other local planning documents—a lot of what they raise, particularly the local politicians, is the issue of housing affordability. They have tried to soften up their development proposals and the expansion of urban development by using that phrase.

South-east Queensland, in comparison to Sydney and Melbourne, has only 15.5 per cent of its public open space fully protected, whereas Sydney, for example, has 42 per cent of its green space and Melbourne has 33 per cent of its green space in full protection. South-east Queensland is quite vulnerable to development. We have very little public open land that is protected for green space issues.

If you look at the indicators as far as what impact population growth is having on south-east Queensland, the Healthy Waterways report card gives us a fairly dismal report. The 2007 *State of the environment* report recently published by the state government shows that our waterways in south-east Queensland are declining. Moreton Bay continues to go backwards. The prime reason for that is clearing of vegetation, and the obvious candidate for that is urbanisation.

Water is a major issue. We are struggling to cope with population growth and yet we add more people. As for human health, the *State of the environment report* indicated that 13 per cent of the population of Queensland report having long-term mental health and behavioural problems. Noise complaints are increasing. This is all in the context of climate change. We are expected to take on greater population, yet here we have climate change, which means we are going to have fewer water resources and far greater impacts on our coastal environment. The tourism industry in this region is worth something like \$10.5 billion. Key to that are our natural assets, and yet we are chopping into them through urbanisation.

I support what the Local Government Association of Queensland has been pointing out. Clearly, the development industry is withholding land. There is a 30 per cent shortfall between what council releases and what the development industry is actually letting go of. Certainly, they are making big profits. I do not see any penniless developers out there but I do see a lot of people who are trying to get into the market struggling to do so.

We are concerned about the Urban Land Development Authority Act. It overrides all environmental legislation. It has the ability to ride roughshod over any local planning schemes that have been developed in consultation with the public. We have had a recent example here where areas have been designated appropriate sites and they have actually added to them. So they have put in for a golf course to be included in one of these development areas. The concern is that these green space areas are now being targeted for housing affordability type developments. How much that actually assists people who are trying to get into the market we are unsure, but what it is clearly doing is removing the green space within the urban environment within south-east Queensland. We are becoming a heavily urbanised area with very little green space to accommodate the local residents who are currently here. That obviously is going to have an impact on our wellbeing.

If you walk away today remembering only one point from our presentation it should be that anything that happens with housing affordability must be underpinned by ESD principles. That is the key message that we would like to get across. Some of our recommendations would be that a national population policy should be debated and created. Opening more land for housing affordability type developments may actually generate more problems in itself. We are seeing urbanisation have major impacts on our waterways, on Moreton Bay, and on quality of life. To fix those problems would probably cost more money than addressing the issue of housing affordability. If stabilising our population is underpinned by one major problem, and that is housing affordability, I would rather see my taxes and rates deal with that issue than with the multitude of problems that we have with dealing with environmental, social and economic problems by allowing growth to continue as it is. Thank you.

CHAIR—Thank you, all three of you, for your comments this morning.

Senator IAN MACDONALD—Can I say that population growth in Australia is probably a good subject for a Senate inquiry one day. Perhaps today is not the time to debate it, but what do we do about the world's population growth? Do we in Australia just bury our heads in the sand and say, 'They can look after themselves; we're all right, Jack,' and leave the rest of the world to fend for itself?

Mr Baltais—With our current birth replacement rate we can accommodate an immigration program. Our immigration program should be based on looking after our obligations to those people in need, but we can support immigration at the same time. Through our natural birth rate we can continue to accommodate that as well. It is not a case of saying that we should put up gates at the Queensland border, or at Sydney airport for those coming in from overseas. That is not the case at all. We can sustain an immigration program and natural growth. The key issue is obviously to develop a policy that works out what that is.

Senator IAN MACDONALD—As I said, this is probably not the time for a debate on this—

CHAIR—Actually, it is not.

Senator IAN MACDONALD—I thought that that was the point you were all making, but I must have misunderstood that. I will listen more intently.

Senator COLBECK—Mr Baltais, you talk about the green space and you say that only 15 per cent of that is protected. What is the proportion of green space in the area that you are talking about, as opposed to the amount that is protected?

Mr Baltais—I could not give you an area off the top of my head. I can get those figures for you. The greater Sydney area is a comparable size. South-east Queensland is basically, for statistical purposes, from Noosa down to the northern border of New South Wales and as far west as Toowoomba. So you are looking at that sort of region.

Senator COLBECK—I understand what you are saying. You give a comparison of the percentages of green space that are protected, but I would be interested to know what the percentage of green space is within the area that you are talking about, so we can get some sense of what the levels might be.

Mr Baltais—The *State of the environment* report shows that about 41 per cent of the bioregion still has native vegetation.

Senator COLBECK—You focus very strongly on population growth; you talk about a potential population in the south-east region of about eight million by 2026 and you gave some further figures. What do you see as the key drivers of that? You have talked about immigration but, narrowing down that definition, there is obviously a lot of internal immigration within the country into this region. What do you see as the key drivers for that population growth into this particular region and how do you stop people wanting to come and live in this region?

Senator IAN MACDONALD—It is Queensland—everyone wants to come here.

Mr Baltais—I suppose it would have started back with Mr Beattie going down south and advertising for people to come up here. You are right—interstate immigration is around 38 per cent. How do you control it? It is very easy: through the regional plan. To give you an example done at the local government level, Noosa put in a planning scheme that identifies the key attributes the community wants to protect and what areas are open for development and sets that down in a legal planning document. That became the blueprint for what was effectively a population cap. The South-East Queensland Regional Plan does that to some extent, except that it does not have a caveat; it just continues on adding more land as time goes on. But it does set an urban footprint and within that urban footprint you can accommodate a certain number of people.

The key to success in getting a sustainable population in south-east Queensland is looking at regional planning as a medium-term solution. In terms of the long-term solution, you will never stop that interstate migration while you do not have a national policy on population growth because, effectively, the more people you have, the more have to be accommodated. That is a fact of life. And we will continue to see the degradation of south-east Queensland until such time as regional planning does identify a carrying capacity and sticks to it through its legal planning documents. That population may flow elsewhere, but until Australia has a national policy on population growth we will forever have this debate about where the people will go.

Senator COLBECK—You mentioned the planning requirement for a certain amount of green space. We have talked about roughly 41 per cent of this region still having native vegetation. We heard from UDIA this morning about their perception that up to 50 per cent of developable area was required to be retained in green space or public open space or as other than built environment. What is your view of what a reasonable ratio might be?

Mr Baltais—At the moment with the new infrastructure charges coming in through the state government we are seeing about five per cent legally entitled to come through to the public as recreational land. Prior to that we used to be able to see dedicated bushland and open space for public open space allocations. The new

legislation, or the ICS, as they call it, only allows a certain amount of land to be dedicated from the developer to the council, and at the moment we are only seeing about five per cent. So, in reality, all the public are gaining now is a very small percentage. Previously, councils could negotiate with developers because there were environmental constraints or floodplain or waterway issues and they could potentially get up to 50 per cent in some cases, depending on those constraints. But all the community are entitled to now through the current infrastructure system is a certain allocation per head, so they can get a certain amount of hectares per thousand people and that is all they are entitled to receive. Anything beyond that the public will now have to purchase, whereas previously they got it for free through a dedication system and generally through negotiations based on constraints.

Senator COLBECK—All these constraints really are not assisting the housing affordability problem. I appreciate what you said in your presentation, too, about the cost of carbon requirements, for example, being overlaid onto this whole process. It appears to me that, although we are looking at improving housing affordability, effectively everything we are doing is pushing it the other way.

Mr Baltais—By applying these constraints?

Senator COLBECK—Yes.

Mr Baltais—If you reduce the availability of supply then demand kicks in. When you actually look at the types of houses that are being built primarily they are quite large houses on smaller lots. I do not see a big commitment by the development industry, and certainly not by the state, to those people most in need—who need smaller, cheaper houses. What we are seeing go up in the coastal areas are more like Tuscan fortresses built on small lots with an inability to protect any biodiversity whatsoever.

Senator COLBECK—We have talked a lot through this inquiry about the so-called McMansion, which I would suggest fits with your Tuscan analogy, but the market is not looking for anything other than that. We talked about high-density properties this morning, when you may have heard how in some places the local government has specifically gone in to encourage higher density type use of existing land and the market has not taken that up. How would you drive that?

Mr Baltais—It certainly is an issue.

Senator COLBECK—I was hoping that you might have an answer for us because we are struggling with it as well.

Mr Baltais—I understand, but it is a very complex issue when you consider: easy money from the banks; a taxation system that actually favours the person at the end of the housing market with lots of money, who can buy a second house for renting purposes, rather than a taxation system that enables a person to get into the market; and developers withholding land to artificially inflate prices. To a limited extent the taxation and charges that go along with development cause a problem with pricing. When you add all that to the melting pot it is very difficult. If you constantly add extra people into the equation, naturally you are going to artificially inflate prices. There has been a long-term trend for increasing housing and there has been a downward trend in the availability of people's capital to actually purchase houses. That is a trend that has been accepted, acknowledged and happening for years.

Senator COLBECK—You have mentioned developers withholding land, and we have had that put to us in other locations as well. Developers would say that there are constraints within the market with respect to take-up. The argument about the notional demand versus the real demand is one that we have had in a couple of places. It is a very difficult argument to balance. The allegation from one side is that developers are deliberately withholding land to drive up house prices; developers are saying it is not cost-effective to develop the land. Do you have anything to support your assertion that they are deliberately holding it to drive up prices?

Mr Baltais—A large number of players have come into the Redlands and put contracts on a lot of properties. They actually secure that land under options so that the owners of those properties cannot sell to anyone else. They go to these large organisations, which are basically land banks, which are either waiting for the opportunity to convince council to open these properties up earlier for development or holding them there ready. These are quite substantial parcels of land and they release them slowly—there is a deliberate, incremental release of the land. On that land, you do not see houses for people that can get into the market easily; they are for that medium market—the people with the large houses on the small lots. We do not see those small lots accommodating smaller houses. That might be market driven. How the government intervenes in a market based system I do not know. However, we see developers buying out large parcels of land and

holding them for quite a number of years. These parcels of land have been in their control under these option contracts for a number of years, and once they get approval to develop them they release them over a slow period of time. That is our view.

Senator HUTCHINS—So your approach to us for improving housing affordability is essentially to limit population numbers coming into Queensland?

Ms Davis—Australia.

Senator HUTCHINS—Okay, Australia.

Senator IAN MACDONALD—I detect a difference of opinion between the two ends of the table here.

Mr Baltais—Not really. We are basically—

Ms Davis—No, it is Australia. You cannot stop people coming across state borders.

Senator HUTCHINS—Mr Baltais was suggesting you could do it by deriving measures—

Ms Davis—Your town plan can limit the level of development, yes.

Mr Baltais—And you do that by identifying the carrying capacity for your region and you basically build that into your regional plan. So the South East Queensland Regional Plan could actually be developed on that model. All the areas that the community wish to maintain and protect and that provide a quality of life and look after all those values that are needed to drive the economy, social systems and the environment are built into your carrying capacity, effectively. You can base your legal planning documents on that.

Senator HUTCHINS—You were suggesting, I think, Mr Baltais, and Gecko as well—and correct me if I am wrong—that, using my words, land degradation has been more rapid here in south-east Queensland than in other urban and suburban centres in the rest of Australia. Is that correct?

Ms Davis—We are the most rapidly growing area of Australia and we do have areas with some of the highest levels of biodiversity. Even the South East Queensland Regional Plan does not adequately protect those areas. In fact, it outlines the areas that are high in biodiversity but it puts the urban footprint over a lot of those areas. So what we are experiencing as environmentalists is rapid population growth and rapid loss of high-value ecological areas. That may not necessarily be the case in every area, but we are right at the coalface, if you will, with regard to the destruction of our natural environment.

Senator HUTCHINS—Thank you. I do not have any more questions.

Senator IAN MACDONALD—I have had some dealings with Gecko before and I very often share your sentiments, but this population capping—and we are dealing with affordable housing here—does seem to be very much a case of ‘I’m all right, Jack; forget about the rest of you’. In Noosa, in your city and in the new Sunshine Coast city, following the elections there is a sentiment from the voters across the board to stop development ‘because we’re here and we like it and we don’t want others to come in’. But doesn’t that mean, effectively, that lovely places to live, like the Gold Coast and the Sunshine Coast, will end up inhabited by those who can afford it, because you are limiting the market? And, as for the rest of them, the group for whom housing is unaffordable, are you saying, ‘We’ll shove them out in Charleville’—not that there is anything wrong with Charleville, I should say—but don’t let them see the water because we will keep that for those of us who can afford to live there’?

Ms Davis—That is not what we would advocate. We would advocate—

Senator IAN MACDONALD—Sorry to interrupt, but I want to indicate for the Hansard that I am being ironic, otherwise somebody will read this and say that I am suggesting sending everyone out to Charleville; I am not.

Mr Baltais—I would like to respond to that.

Senator IAN MACDONALD—Sorry; I stopped Ms Davis to make my qualification—

Ms Davis—To make the point that you were asking how we would put all the affordable housing out in Charleville or somewhere else—

Senator IAN MACDONALD—No, that you would be keeping the good places, the lovely places, like the Gold Coast—

Ms Davis—We are not suggesting that at all; we are suggesting that affordable housing be integrated into our cities and urban areas. But we are also suggesting that there needs to be a limit to all growth and development and that affordable housing needs to be a percentage of that which is developed. But we cannot

override all of the values that we hold dear in order to accommodate affordable housing. That is what the Queensland government has just done through their Urban Land Development Act, which Simon mentioned before. They have given themselves the right to override local government planning schemes and even to override their own legislation, which has restrictive measures to protect biodiversity, vegetation of high value and waterways and even to protect people from natural hazards. So they have given themselves the right to override anything that the people of the area care about in order to provide 'affordable housing'.

Mr Baltais—In response, you can look up most local papers and find 30 pages of real estate and housing that is on the market, for sale. So there is a movement of people out of local areas. Are you suggesting, then, that we continue to grow ad infinitum and destroy everything that is important? You must recognise that there are limits to growth. We need to identify what those limits to growth are.

Senator IAN MACDONALD—This is not a debate, and the chair will stop me. Unfortunately, the world is growing. It is not growing in China because of what some say is a very radical and horrendous one-child policy. Are you suggesting—you say you are not, and yet I cannot quite follow this—that Australia should be capping the lovely places to live like Noosa, the Sunshine Coast, the Gold Coast and Port Douglas, which I think started that sort of thing? It is great if you live in Port Douglas, but it is a bit selfish.

Ms Davis—We are saying that in order to become sustainable everyone in the world, including China and India—which is just about to surpass China; China is about 1.4 billion now and India is just about to surpass it as the highest population in the world, while the US is third at 300 million very high-consuming residents—needs to act. In order to become sustainable Australia needs to set its own population policy, and it needs to support other countries in stabilising their populations. That is what we have refused to do despite having promised it at the 1994 Cairo conference.

Senator IAN MACDONALD—That would lead me on to a view I have on climate change. I accept that it is happening—which anyone who reads my speeches and media releases would know about, but I do not suspect many people do, and rightly so! I am getting off the subject, but it is an interesting subject. Perhaps that leads me to something more germane to our inquiry. I am from the north, as you may or may not know, and I am very keen to see development of Northern Australia, where there is—and will be increasingly—a greater proportion of the water we have in Australia. There is reasonable land there. I know a number of environmental groups are totally opposed to this, but I have the same argument with that: 'Here is a place where we have water and good land, but no; let's keep it pristine to look after biodiversity.' Now I am as keen on maintaining our biodiversity as any of you, but people come first. My real question, apart from the soapbox speech, is: recognising that south-east Queensland, for example, is getting to a capacity occupancy, would you support the creation of new planned residential population areas in those parts of Australia that are currently not overpopulated and, in many cases, not even populated but that could sustainably hold quite substantial populations, like many parts of Northern Australia?

Mrs Adams—If they are not developed already, it is because there are enormous constraints on developing them. They are not near urban centres and there are transport issues and, mainly, climate issues. That is a preliminary response.

Senator IAN MACDONALD—Or because all the politicians come from the currently developed areas and they do not look much further than George Street. In places like coastal North Queensland there are jobs. It is a great place to live—even better than south-east Queensland. People can actually water their lawns up our way, whether or not that is a good thing. Bearing in mind housing affordability, is there a need for governments to say: 'Let's put the caps on, for example, south-east Queensland and let's plan areas up in the Gulf of Carpentaria near the mines. Instead of flying people from Brisbane up to the gulf mines, let's plan some new residential areas up at the mines'?

Mr Baltais—There is actually some discussion going on about looking at supporting regional Australia, which is depopulating. Queensland is a fairly decentralised state, as you know, and two-thirds of that area is depopulating, so there is probably scope to support those communities that are going through that transition, pushing it back the other way and encouraging people to go to those centres.

Senator IAN MACDONALD—But would the groups that you represent—or that you are involved with, even if you do not represent them—think that is a good idea?

Ms Davis—To populate Northern Australia?

Senator IAN MACDONALD—I am keen on Northern Australia. You could not send them to the Murray-Darling because you won't get a drink there very shortly, unless it's whisky—without the water! But there

must be other places in Australia that are desirable to live in. I cannot think of any apart from Northern Australia, but I am sure others can.

Mr Baltais—Look at what we have done to the Murray-Darling system. We have been saying for decades that we are going to be doing things sustainably and yet we are still nowhere near that. I do not see us actually being able to achieve that in Northern Australia either.

Senator IAN MACDONALD—We have been stupid, as humanity, over the years, but sometimes we learn. I think we have learnt lessons from the Murray-Darling so that any new development in Northern Australia where there is water and land can be planned in a way that is ecologically and economically sustainable.

Ms Davis—I think you will find that with climate change we are going to be experiencing higher temperatures. We are also going to be experiencing more vector-borne diseases from these hotter areas coming down further. We are going to have more cyclones coming further south. There are lots of constraints in the north. I do not know too many people who want to live there. My understanding is that Cairns is predicted to be under water by 2050, due to climate change, sea level rise and increased cyclone activity. So there are lots of issues that need to be addressed, not just where the water falls. But the north of Queensland suffers from the same problem that the rest of Australia has, and that is its soil. Australia does not have good, adequate soils. They say that, if North Queensland were able to be developed, it would have been developed by now.

Senator IAN MACDONALD—I challenge nearly everything you have said in that comment, but again the chairman will stop me because it is not a debate.

CHAIR—No. Do you have anything further on housing affordability?

Senator IAN MACDONALD—It is germane to housing affordability, in that, if I accept the general proposition that you should have a cap on population here, it does mean that this land is going to become more valuable, unless you have a totally regulated state, which Australians will never accept. Therefore only the wealthy will be able to live in these desirable places. We heard from the Brisbane City Council. They have got a scheme where for 10 years they can try and get affordable housing in an area, and they think they have got that legally tied up. That presupposes that, the less wealthy, who cannot live in these hugely desirable areas, have got to look elsewhere. I think North Queensland is as desirable as some of the areas in the south-east, but you have really got to start looking at places like that where there are the jobs but where housing does not have the same sort of pressure. I do not seem to be getting enthusiastic support for that proposition from you people, who are saying, I think, ‘Cap it where it is.’

Mr Baltais—As I said before, in regional Queensland there are areas that are depopulating and could do with assistance in building infrastructure and encouraging people to those areas. There are new mines and perhaps new industries. As for going to Northern Australia, you will not have any support from this side.

Senator IAN MACDONALD—But where, then? This is the point. ‘We don’t want them here, but where are we going to put them?’ You cannot have them in the north. You cannot have them in the Murray-Darling. You cannot have them near Sydney. You cannot have them near Melbourne. You would not want to go to Tasmania!

Senator COLBECK—Just be careful! You are now treading on very dangerous territory!

Mr Baltais—I will put the question back to you, though: do you believe in endless growth? Do you believe Australia can grow forever? I do not think there is anyone in this room who believes that is the case.

Senator IAN MACDONALD—Do I advocate it? No. But am I realistic enough to know that it is going to happen regardless of what I advocate? Yes, and it is happening. So we can be very selfish and say, ‘You’re not coming to our area.’ Okay, so where do they go? ‘You can’t go to the north, you can’t go to the Murray-Darling, you can’t go to Darling Downs, you can’t go to Mary River’—and I agree with you on that; it is one thing we do agree on! So is it, ‘Bugger off if you’re not a millionaire and don’t have a water view’?

Mr Baltais—If we remain at this impasse, we will continue to degrade south-east Queensland and ruin the quality of life that the people currently here are enjoying because we will not recognise limits to growth, and we will continue to have housing affordability issues because we have this increasing population and we will struggle to find places to put these people. I heard BCC talk about built infrastructure, higher density: it is more expensive. It is also far less efficient as far as greenhouse gas emissions go. It is far more polluting or, to put it a different way, more energy intensive and certainly not as efficient with water. So we are left with a situation here where we are going to accept degradation of quality of life in south-east Queensland because we

will not accept limits to population growth. Housing affordability will not be resolved by allowing population growth to continue in certain regions. We have a problem.

Senator IAN MACDONALD—We do—and the chair is rightly calling me to order. But if we agreed with everything you say then where would we put those people who cannot live in south-east Queensland, the people who cannot afford the housing?

Mr Baltais—There are people moving in and out of south-east Queensland all the time. Like I said, you can look up any of the local newspapers and see 30 pages of real estate showing people moving in and out, through the sale of houses. It is not that bleak that we are putting up the tick gate and saying no; there are people moving in and out. There is an issue, yes; there are 1,200 extra people coming into south-east Queensland. That is an issue that has to be looked at.

Senator IAN MACDONALD—Every week?

Mr Baltais—Every week. Where do they go? Good question. I am suggesting there are some areas of regional Queensland that could accommodate that growth. Do we need to be fair about it? Yes, we do. We cannot send all the people who cannot afford houses over \$200,000 out to Blackbutt. We have got to be reasonable about it. Public housing in Queensland has certainly dropped by the wayside. You certainly do not see the same amount of investment put into public housing as you used to in the past. That is something we cannot address. Like I said before, if achieving a sustainable population in the region had only one problem, housing affordability, I would be much happier spending my taxes and rates fixing that problem than the multitude of problems that we are trying to fix now that we will never fix because we will never have the financial resources to address them if we allow population growth to continue uncontrolled.

CHAIR—Thank you.

Senator IAN MACDONALD—Thank you, Madam Chair, for your indulgence.

CHAIR—I thank each of you for appearing today and for your submissions. Ms Davis, I think you indicated you would be sending a supplementary submission or an additional submission.

Ms Davis—Yes.

CHAIR—We look forward to receiving that in due course. Thank you very much for attending this afternoon's hearing.

Ms Davis—Thank you.

Proceedings suspended from 12.49 pm to 1.49 pm

HOFFMAN, Mr Gregory Thomas, Director, Policy and Representation, Local Government Association of Queensland

MYERSON, Mr Mark, Manager, Environment and Planning, Local Government Association of Queensland

CHAIR—Welcome. I thank the association very much for your submission and the range of attachments which you have provided to the committee. It is very helpful to us. I invite you to make an opening statement and we will go to questions at the end of that.

Mr Hoffman—The Local Government Association of Queensland is the peak body representing local governments in Queensland. Our submission seeks to summarise a number of issues of concern and of interest to your committee on the issue of housing affordability from the association's perspective. We have also attached reports prepared by or for the association in response to various challenges and complaints made publicly by representative bodies of the development industry over the last couple of years. The challenges have sought to portray local governments generally as significant contributors to the problems associated with housing affordability. In short, we reject those assertions. I will explain why in a moment. Where we can facilitate, support and expedite planning and development processes under the control of local government in Queensland, we believe we are making a positive contribution. We welcome the opportunity to work with the development industry in this regard. Indeed, in many respects this is already happening.

I would like to point out that the legislation controlling the planning and development process in Queensland, and specifically as it relates to our responsibilities under the Integrated Planning Act, provides some very stringent requirements in terms of the processes councils are required to undertake in the development of their planning schemes, the operation of those schemes and, ultimately, the development assessment and approval processes. Specifically, though, when it comes to the issue of development charges, the legislation prescribes, and has prescribed for a number of years now, the limitations as to what charges can be applied for. That does relate to essential infrastructure required for all new developments. It relates to roads and drainage, water supply, wastewater systems and provision of basic land or minimum facilities for park or recreation areas.

It is beyond the power of local governments in Queensland to seek developer contributions for the provision of facilities external to the immediate area of development. This is not the case in other states. On many occasions, challenges are made or questions raised as to the appropriateness of developer charges that imply that across the nation the broad range of charges that apply in some areas are applied in all areas. That is not the case in Queensland. Recently, in response to those claims, the state government introduced a requirement that, before councils can impose their developer charges, those charges are required to be assessed by an independent body, the Queensland Competition Authority, and only with its approval can those charges be applied.

This is a new process, and I was made aware last week of the first consideration by the Queensland Competition Authority of charges submitted to it for its review. Those charges related to the Gold Coast City Council. Whilst I am not personally aware of the specific reports that relate to this matter, indirectly we have become aware that the Queensland Competition Authority suggested that the Gold Coast City Council should in fact increase its charges, not decrease them, as its assessment was that those charges were perhaps undervaluing what they should be recovering under the legislation.

There are other aspects of the planning process that I would like to refer to. Local governments are required to receive, consider and ultimately determine development assessment applications. That process, under our Integrated Planning Act, can be quite complex and obviously quite time-consuming. The process requires applicants to submit to councils their application, with all of the related documentation. In many instances, apart from the council's consideration of the matters immediately under its control, it is required to refer to the state government and to appropriate state agencies for their consideration matters that are under their jurisdiction.

The management of this process of receipt, consideration, referral and then further consideration of the assessment at a council level and assessment at a government level obviously adds time to the process. If in that process there are some deficiencies in the information received with the application, then further inquiries are made of the applicant to receive that information and then, where necessary, proceed to review what has been done to date. All of this, as you would appreciate, can add quite a deal of time to the process.

Attempts are being made by local government in Queensland to streamline that process by way of significant investment in the development of electronic based planning, receipt, assessment and approval processes. Significant work has been done and progress is being made. I am happy to say that that work is being progressed in collaboration with the development industry. I highlight this as it is one aspect in which local government can make a significant difference to the process—that of expediting the approval process.

There is another aspect that poses difficulties for councils, and it is in relation to the availability of skilled staff to undertake the process that I have just referred to. We in this state and those in other parts of the nation are subjected to or are involved in a significant development boom around resources and other infrastructure needs that go with that. Local governments have been losing a lot of their skilled staff to the development sector. Our efforts to deal with that involve two issues I would like to raise. The first is a significant effort, again in collaboration with all stakeholders, governments and the development sector, to increase the attractiveness and the promotion of planning as a profession for school graduates and for further study at the undergraduate level. That has a longer term benefit to it, but it is a demonstration of a need that is being responded to.

More immediately, though, the Local Government Association, in conjunction with the education sector, has developed a paraprofessional planning course at a diploma level. This has seen, to date, some 90 local government employees undertake the course that improves or increases their skills and capacity to expedite the processing aspects of planning applications at the council level. This is another means by which we are responding to the skills shortage issues.

I will conclude my opening remarks by making a couple of observations about the cost implications of the processes and the responsibilities of local government in the totality of the cost of house and land packages. These are referred to in greater detail in our submissions. I simply wish to highlight to the committee that the work that we have done and, importantly, the work conducted by the Productivity Commission some years back highlighted that the costs imposed by local government on house and land packages represented a small amount—in the order of one to three per cent in total. Whilst I do not wish to deny our responsibilities in relation to what those charges are, we believe we meet those responsibilities. Importantly, processes now in place within this state are ensuring that councils are accountable and transparent in what they charge, and indeed those processes are subject to third-party scrutiny. I will leave my opening remarks at that.

CHAIR—Thanks, Mr Hoffman. Mr Myerson, do you wish to add anything?

Mr Myerson—No, thank you.

CHAIR—Thank you very much. As I said, thank you also for your submission. I will kick off with one question. In your summary letter at item 3 you refer to the Housing Affordability Fund. When you say that you would like to see funding provided under that system ‘designed to ensure that these savings are passed directly or indirectly to homeowners’, what did you have in mind?

Mr Hoffman—Firstly, I would make the comment that we are appreciative of the government’s commitment to resource this need and to consult and work with local government and of course other stakeholders on how this might be achieved. It is seen as a very positive move and we commend it. In discussions that we have had with officers of FaHCSIA about how the program might work, the point was made very clearly that there needs to be, in the consideration of proposals to be put forward under the Housing Affordability Fund, the ability to ensure that the benefits, the results, of that investment go directly to people whom you would want to see as the beneficiaries of that funding—a quite understandable and appropriate objective.

Our concern is that, in the consideration of infrastructure funding—which is highlighted as an objective of the program—the connection between funding and infrastructure provision and the ultimate reduction in costs and a transfer of that reduction to homebuyers or other parties interested in acquiring accommodation is not readily available. It operates through the market process, and how those savings can find their way from an investment in infrastructure to the acquisition of the resultant product is somewhat tenuous at the very least. That is acknowledged by most people. That is not to say that they cannot be explored, and our discussions with officers of FaHCSIA have been about investigating that a little more closely. I would add, though, that the objectives of the Housing Affordability Fund are in effect to subsidise or to reduce, and that is achieved by way of a subsidy.

CHAIR—It sounds like you have more information on it than we have been able to obtain. When we first spoke to FaHCSIA, about two weeks ago, there was not a lot of flesh on the bones, so to speak, in terms of

how it will operate. We were told, broadly speaking, that it will go to addressing issues of planning, infrastructure provision, development costs and those sorts of things, but you are obviously involved in the consultations and it sounds to me like you have a better idea.

Mr Hoffman—Certainly there have been conversations with officers, but we have also heard statements by the minister and read commentary on the broader objectives. I do not believe we are privy to anything other than the public information, to be honest.

The issue is: how do you transfer a benefit from a government fund to an individual or parties purchasing a property? The market processes have limitations, quite simply, as to how they can do that. The discussion we have had—and it is not immediately related to subsidising infrastructure and, hence, subsidising and reducing the costs of acquisition—has been about the fact that through the local government rating system you can have a direct relationship between a government entity and a particular party or individual. Given that the objectives of the fund are to seek to meet the needs of an identified sector of the community in terms of its capacity to acquire accommodation, a relationship between council and people who would qualify in that sector is something that is possibly achievable in relation to rate remissions. This happens already, predominantly in the area of pensioner rebates on rates. It is possible that it could happen at the other end of the spectrum, if you like, in terms of people acquiring houses that qualify and could receive some form of subsidy. I might add that that is but one suggestion. In our ongoing discussions with the officers of FaHCSIA we are seeking to explore more fully other options and I would not want to suggest there is only one. That option is one that has come to mind for us, and I note that in submissions received by the committee other local government associations have alluded to it as a possibility.

CHAIR—Thank you very much for that comprehensive response. We will go to questions.

Senator COLBECK—You mentioned the workforce issues that obviously exist nationally in respect of local government and the work that you have done particularly in relation to paraprofessionals. We heard in Canberra a couple of weeks ago about the overall planning frameworks that exist nationally, particularly the work that is being done by the Development Assessment Forum and their leading practice model, which effectively takes the best of the best nationally and tries to draw them together into a national framework. What work has been done in adopting some of those processes here in Queensland that you are aware of?

Mr Hoffman—As I alluded to, we are working on the improvement of the development assessment and approval processes. There are a number of aspects of it that are relevant. The first issue and probably the easiest to address, albeit complex and demanding of resources, is improving the processing itself. I alluded to that earlier. The other issues are around the roles and responsibilities of various parties to the process. There is a suggestion arising out of the Development Assessment Forum as to who should be the approvers of development applications. That is a contentious issue, because the approvals given are at the heart of what communities look like and what they will be in the longer term.

There is ongoing debate as to the role of elected government officials or members in this process. We are open to those discussions, but there is nothing to suggest that the removal of elected members at the local level from the approval processes will automatically expedite the approval processes. In fact, evidence provided in the attachments to our submission to you indicates that in Queensland over 95 per cent of all development approvals are undertaken by council officers under delegation from their councils. The five per cent that remain with the elected officials obviously relate to those more complex and more sensitive applications with potential or wider impacts across the community. I think it needs to be seen in the context that, whilst we can look to how we can improve that aspect of the approval process, it of itself is not necessarily a silver bullet in terms of how the processes can be improved either.

Senator COLBECK—I think I tend to agree with you, particularly at that macro end of the market—the more socially contentious types of projects. But at the other end of the scale there is, perhaps, some more nuts-and-bolts stuff; you have mentioned that a lot of that gets done, essentially, by delegation, but to an extent some of that could even be done through a tick process by meeting a certain level of criteria, which could actually take some of that bottom end stress out of the system. That would then free up some people at the more complex end.

Mr Hoffman—Both the initiatives I mentioned earlier are certainly aimed at addressing those issues. The paraprofessional training is designed to enable the initial evaluation of applications to determine whether they need to be further reviewed or can be simply processed in accordance with code or requirements, which is one of the key advantages of training people for that work. The other aspect, the development of electronic development assessment tools—software to enable applications to be submitted and evaluated in that way—

then ensures that, for those matters that need to be channelled to more rigorous hands-on assessment, it is achieved more quickly than would otherwise be the case.

Senator COLBECK—You mention in your submission that there is generally about five years supply known ahead in south-east Queensland. We heard some discussion this morning about an approach being taken, particularly in Victoria, where they have got an understanding of, say, 10 years out. I would be interested in your perspective on the differences in those approaches—where you have got a much longer term understanding of the general direction of where communities might be expanding into versus the view presented here that there is five years out in front that is known and 1½ to two years of developed land that exists as stock—and how that might impact on this process.

Mr Hoffman—You would be familiar with the processes here in south-east Queensland, where there is a development plan and an infrastructure plan in place and approved by government which councils are required to operate within. That pretty much casts the die as to what can happen where. More recent developments arising out of the debate between local government, government and the industry as to what was available and when it would be released gave rise to the various studies identifying that land stock that we have done and that are attached to our submission. These issues are obviously debated intensely, and when the state government agreed to establish a land monitoring process that was done with our endorsement.

It is certainly not our contention as an association or in local government as a sector that we should do anything other than meet our obligations to undertake our responsibilities for the development and release of land. We are more than happy to endorse that process. Recent announcements by state government indicate that there is stock available to meet needs. The land-monitoring process, though, is designed to identify where additional land can be available and brought on stream sooner than it might otherwise have been. I am not personally familiar with any more details of the work than that, other than to say that the need to do that has been recognised, processes are now in place and, in the past two weeks, stakeholders at state government, local government and development sector levels have been apprised of the plans put forward by the state government as to how it might expedite that process. So moves are in place in this state to give us the ability to look further ahead than we might otherwise currently be.

Senator COLBECK—Just to attack that from a slightly different angle: part of the discussion earlier was in relation to the provision of infrastructure that might be required to service the development of a particular land stock, and the perception was that additional lead time was allowing for some of that critical infrastructure to be developed out in front of even some of the development of the land, which was providing a positive impact on the overall cost structures. What are the sorts of time frames that you see are required for the development of infrastructure, and how might those two things mesh?

Mr Hoffman—There are two parts to the answer to that question. Major transport infrastructure is one aspect; the other is the infrastructure needed for water and waste water. We are in a state of flux here in Queensland at the moment with the changing of the roles and responsibilities of state government or state agencies and local government agencies in terms of water and water provision. That obviously will, in the near term—and I am talking about the next couple of years as these changes are actually worked through—potentially have some bearing on the provision of more major infrastructure, trunk mains of various sorts. The transport issues of arterial roads and rail networks are a state responsibility. I am not in a position to answer about them. Certainly in the south-east Queensland plan and the related infrastructure plan there is identification of where the areas for future development are, and obviously the provision of infrastructure to enable that development to occur is referenced in that plan. Your question would be more appropriately referred to the state agencies in relation to those matters. In terms of the local government issues—internal roads, local water supply, sewerage and development—councils look to plan the provision of those facilities and the provision of capacity to do that in a three- to five-year timetable.

Senator COLBECK—We would have liked to have asked the state government that, but unfortunately they have decided that they do not want to grace us with their company. You were the next cab off the rank, unfortunately, so I apologise for the question in that respect.

Mr Hoffman—I am a poor substitute when it comes to the detail on that.

Senator HUTCHINS—I am sorry I had to go out of the room, Mr Hoffman. I had to take that call. You said in your submission that between one and three per cent of charges could be directly attributable to local government costs. I think those were the words you used. We had the Urban Development Institute of Australia in Canberra say—I think I have got it right, and Senator Payne will correct me if I have got it wrong—that they believe that the cost of a new home in taxes, charges and regulations is at least \$120,000.

That would differ significantly from one to three per cent of the cost of a home. Would you like to comment on their views, which may well be jaundiced by their experiences in other states?

Mr Hoffman—I was referring to the infrastructure costs imposed by local government, and my reference is to Queensland. I will correct myself. I mentioned one to three per cent; it is more in the order of one to four per cent. The one per cent reference was in relation to delays and their impact on holding costs. You need to look at the totality of government related charges that apply to the purchase and development of land, the development of housing stock and the ultimate sale and transfer of that housing stock from initially one or two parties to the process to the ultimate purchaser. It is along that trail that a variety of government charges obviously apply. The infrastructure charges imposed by local government, on our reckoning and on the reckoning of the Residential Development Council, an industry body, suggest that the local government related charges are in the order of 3.8 to 3.9 per cent. That is the point I was alluding to. There are other charges, but the local government charges are of that magnitude in the totality of the cost.

Senator HUTCHINS—You mentioned the Queensland Competition Authority, who talked about the Gold Coast charges and suggested that they should be more than what they were seeking. Was that after the election? Did they have an election on the Gold Coast in the last few months?

Mr Hoffman—Yes. The local government elections across Queensland were on 15 March.

Senator HUTCHINS—I am suggesting that it is very brave to do it after the election. It is something that we might do.

Mr Hoffman—The Queensland Competition Authority is acknowledged as an independent agency, charged to review the charges submitted. Again, in state legislation, the basis on which those charges can be assessed—not only the constraints for applying the charges but the mechanisms by which the charges can be calculated—is prescribed. The process is regulated. Councils are obliged, obviously, to comply with those requirements. The QCA's role is to be an independent reviewer of those charges. As I said, I have not seen any reports but have heard at a recent meeting of councils that that was the observation made by the QCA at the time.

Senator HUTCHINS—So it is up to the Gold Coast councils to determine whether they will increase it to what the QCA has recommended.

Mr Hoffman—That is correct. I think the point needs to be made that this process is about ensuring that the charges do not exceed the maximum of those enabled in accordance with the regulations. It is not to say that councils are required to charge at that level. They can choose what they charge. Whilst there are assertions that councils are charging more—and the QCA process is designed to ensure that that does not happen—there are many who choose to in fact not transfer the full cost. In effect, that is a local level subsidy to that development. It depends where you are and what the circumstances of economic activity and growth happen to be. Some councils will choose to internally subsidise those costs. When I say 'internally', that is internal to the council's operations, but ultimately that is a cost that will be borne by the community, by and large, in some form.

Senator HUTCHINS—We have been given examples in Sydney and elsewhere of councils putting, say, a library charge on new developments. On the other hand, you are saying that councils are not proceeding with charges that they could charge because they are subsidising, for whatever reason. Are there examples in Queensland where new developments are being hit with development charges for things such as libraries or childcare centres?

Mr Hoffman—The short answer is that that cannot apply; that cannot occur in Queensland. We are restricted to the infrastructure directly related to the development area itself—that is, roads, drainage, water, sewerage and park facilities applicable to or appropriately required for that area. It is a contentious area. Some councils would argue that you should be able to go further, given the demand that the residents of that area will place on these other facilities, but the legislation precludes that and it cannot apply here.

Senator IAN MACDONALD—Is that the latest legislation?

Mr Hoffman—It is the latest legislation and it has been the case for a number of years.

Senator IAN MACDONALD—It is not proposed to change that or it has not been recently changed?

Mr Hoffman—No, it is certainly not intended to change it.

Senator IAN MACDONALD—It is different to evidence that we heard previously.

Mr Hoffman—Relating to here in Queensland?

Senator IAN MACDONALD—Yes.

Mr Hoffman—There is no ability under the legislation to charge it, to impose it. That is not to say that councils might not seek to negotiate that with developers, and that does occur. But it is a matter of negotiation.

Senator IAN MACDONALD—Why would a developer voluntarily agree to contribute to a library?

Mr Hoffman—It depends where the library is and when it might be developed. It could well be seen as an advantage to the particular estate to have that facility located in that area or adjacent to it. They will make that decision if it is in their interests, and a number of them do.

Senator IAN MACDONALD—Charges in relation to sewerage can relate not just to the connections to the new subdivision but to the treatment plant for the shire. That is legitimate.

Mr Hoffman—Yes, and that is acknowledged as a use of the capacity of the system, and that system or aspects of the treatment process may be located some distance from the estate. To enable the estate to be developed so it has the internal drainage and also the treatment requires an element of the consumption of the capacity of the system, and that is a factor that is built into the charging regime. That is not really under debate by any parties.

Senator IAN MACDONALD—I know this is how it is and you accept what you cannot change, but do you have a view on the argument that older, established areas had the sewerage and the reticulated water connected at public expense so why do new homebuyers have to effectively pay for the infrastructure for their own water and sewerage?

Mr Hoffman—I think the answer to that question is in the operation of legislation which enabled charges to be recovered. It is an issue of equity in relation to the user-pays principle, which is now more prevalent in terms of the provision of public facilities and services.

Senator IAN MACDONALD—I, as you, accept that that is the way it is now, but does the LGAQ have a view that it is a bit unfair for new homeowners because they are paying for something that older houses got from the public pool? Does the LGAQ have a policy on that?

Mr Hoffman—Our position is to support the current legislative arrangements.

Senator IAN MACDONALD—To support it or to accept that that is it and that is how you have got to deal with it?

Mr Hoffman—It is not just a matter of accepting it. We support that it is appropriate for people in a situation to be responsible for the service provision that meets their needs.

Senator IAN MACDONALD—I am really getting around to something I know you are very keen on, Greg. I was trying to encourage the UDIA to join you in a push to get a share of the GST so that you could put in the infrastructure and the developers would not have to, so that hopefully new homebuyers would not have to pay and somewhere along the line housing would become a little bit more affordable. Is that a scenario that is ever discussed at local government level nowadays? It used to be back in the GST days.

Mr Hoffman—Your first point about getting access to a growth tax base is very much a part of our policy at state level and for local government at a national level and we have been pursuing that predominantly with federal governments. The other point is whether the provision of infrastructure should be effectively subsidised across all property holders. That is not a policy position that we have or support. We have recognised and have submitted to governments on the difficulty faced by local government with the constraints under its current revenue base. It would be beyond consideration that we could look to the cross-subsidy of the provision of infrastructure in new subdivisions in the form that you have described until such time as there is a significant improvement in the broader tax base and the ability of local government to raise increased revenue. It is mutually exclusive, in other words.

Senator IAN MACDONALD—Except that you might get some powerful allies if housing affordability was—this is perhaps drawing a long bow—to a degree dependent on developer contributions, which is required because, quite frankly, local government have no other form of paying for infrastructure in new areas, whereas they were required to in old areas, if I could put it that way. I am not putting words in your mouth—perhaps if you did get a share of the revenue you would use it for other things, but it is just something that might be addressed in the housing affordability debate.

Mr Hoffman—I do not dispute the increased capacity of local government to respond in the way you have described if its revenue base was broadened to a growth tax. The other alternative is a more direct support for the provision of the infrastructure that is required, which could obviously impact on the developer charges that would need to be applied and recovered. However, it would then be a matter of the market forces at play as to

how that might translate through to savings—recognising that the small amount the infrastructure charges councils impose are of the total costs means that, even with that subsidy, you are not necessarily going to significantly reduce the cost of the end product anyway.

Senator IAN MACDONALD—As Senator Hutchins mentioned, that is very different from some evidence we had in Canberra, I think it was, where a third to a half of the cost of a developed piece of land was regulation in all of its forms.

Mr Hoffman—I take the point for the development cost, but there are many other costs involved in the final product that is sold, and I think there needs to be a recognition of—

Senator IAN MACDONALD—No, as I understand it, it was imposed regulation, council charges, developer contributions and that sort of thing, not just the cost of development.

Mr Hoffman—Are you talking about the final product?

Senator IAN MACDONALD—Yes.

Mr Hoffman—I acknowledge the claim that is made, but the last time that this was looked at to any great extent was by the Productivity Commission. I commend to you their report, which very thoroughly analysed the factors contributing to the costs, and acknowledge that there are many other macroeconomic factors at play here that ultimately affect the bottom line.

Senator IAN MACDONALD—Sure. I saw your submission there. I am conscious of the fact that local government right throughout Australia is facing an impending crisis with old infrastructure that desperately needs to be rejuvenated, without contributions, I guess, from the federal government—state governments do not seem to contribute to anything these days. If the main sewerage line through the centre of town collapses, it is going to be the ratepayers—old as well as new ratepayers—that have to pick up the bill. In our inquiry into affordability, that is going to make things even less affordable. Is there any light on the horizon on contributions to ageing infrastructure?

Mr Hoffman—Regrettably, no. The infrastructure renewal gap was identified in the PricewaterhouseCoopers investigation into the financial sustainability of local government. Local governments nationally had submitted to government and opposition parties prior to the election a proposal for an infrastructure renewal fund. We do not see at this time the ability to further prosecute that claim within the constraints of the current economic climate. You rightfully identify that in the absence of support to deal with the old infrastructure—we must remember here we are talking about new infrastructure, by and large, in this current issue—the problems associated with the renewal of older infrastructure are looming large for local governments. So our ability to support new infrastructure as well as deal with the old is obviously one factor that sees us firmly of the view that the provision of the new infrastructure does rest with the people who create that demand for the present—unless there is some other form of support for the other broader activities that are upon us and will be upon us over the next five, 10 or 15 years.

Senator IAN MACDONALD—The newer areas, having paid for their own sewerage and water, will also have to contribute to the base costs if something catastrophic happens, so they are going to get the double whammy, whereas at least the older residents only have to pay for the old infrastructure. It just seems that it is going to impact upon housing affordability for the future.

Mr Hoffman—I accept your point.

CHAIR—On behalf of the committee, Mr Hoffman and Mr Myerson, I thank you both very much for appearing this afternoon. Thank you for your submission and the material that you have been able to support the committee's inquiry with.

[2.39 pm]

STIMSON, Professor Robert John, Convenor, ARC Research Network in Spatially Integrated Social Science

ROBSON, Dr Alistair Paul Leslie, Research Fellow, University of Queensland

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Prof. Stimson—I am Professor of Geographical Sciences and Planning at the University of Queensland. I am appearing in two capacities, I guess, today. One is as a private researcher, and it is in that capacity that I would like to speak today. The other relates to the Australia Futures Task Force report, which came out of the ARC Research Network in Spatially Integrated Social Science that I convene nationally. I think we have sent that report to the committee and it is available on the website. It has among its seven or eight chapters a section specifically on housing choice and housing affordability. I would commend that report as evidence, and we have privately prepared another report today.

CHAIR—The one you just handed us?

Prof. Stimson—Yes.

CHAIR—Thank you. We will receive that as a submission. Dr Robson?

Dr Robson—I am a research fellow at the University of Queensland Social Research Centre and I work for Bob.

CHAIR—I invite you to make an opening statement and at the conclusion of that we will go to questions.

Prof. Stimson—I will try to make my opening statement brief. I will refer to a number of what I would regard as fairly significant issues concerning the current debate on housing affordability. I have had the good fortune to have been working for over 40 years now in research into urban and regional development matters in Australia, including a lot of issues to do with housing provision and affordability, housing choice and so on.

It seems to me that the current debate is quite ill-informed in some ways. I submit that we are not facing a housing affordability crisis that is systemic. It is an issue which is very specific to particular groups of people and households in society and to particular places where people live. There is enormous geographic variability in the incidence of housing related income stress. Systemically, if you look at the current data and look at it historically, we have had periods in the past when there have been possibly greater crises than there are at the moment, if the current one is a crisis.

There has been an enormous degree of stability over time in Australia in the incidence of homeownership and access of people to homeownership. In the past 20 years there has been a miniscule drop in total terms in the incidence of homeownership. There has been a significant shift in the last 10 to 15 years in the proportion of people who own outright as against those who are purchasing. The incidence of purchasing has gone up quite a lot as against outright ownership. There are a lot of factors underlying that.

The incidence of private rental has gone up slightly—less than two percentage points in aggregate—across the whole system. There has over time been an actual drop in the proportion in public housing, largely as a result of the withdrawal through the Commonwealth-state housing agreements of Commonwealth and state funding of new capital investment. If you go back, it was in 1986-87 when you had the crossover in terms of more people receiving rental assistance subsidies than were in public housing. And there has been a substantial sell-off over time in the public housing stock by state housing authorities. Whether that is good or bad policy is a matter of opinion, but certainly there has been a diminution in the total stock of public housing, and that has impacts at the most disadvantaged end of the affordability market.

There has been quite a significant increase, too, in the last 10 years or so in the incidence of people who are not in any of the standard housing tenures. That has doubled in fact, to about 3.7 or 3.8 per cent of total households that are not in any of the standard forms of tenures. That is related to a whole lot of things, including the incidence of people staying with parents over a longer period of time.

When you look at affordability, there is absolutely no doubt that the current so-called affordability crisis is related to a series of both demand push and supply restriction issues. In terms of the demand side of things, there was a coalescence of factors in the late 1990s that led to a very substantial increase in housing prices and demand for housing. One of those was the subsidies given to people entering home purchase. There is overwhelming evidence when you look back historically across governments of both political persuasions in

Australia that the outcome where you get direct cash assistance to homeownership is that it leads to increasing house costs and that those policies have possibly deleterious social equity outcomes. As a result of the last round of those subsidies in the late nineties and the early part of this decade which were associated with offsetting the impacts of the GST, there was a sudden entry over a relatively short period of time of between 350,000 and 380,000 new buyers into the market. The Productivity Commission's report refers to the cost impacts of that.

If you take that sort of thing out of consideration, there is no underlying demographic reason in terms of new household formation and population increase due to births and immigration to suggest that the increase in house prices that has occurred was a demographically led one. It was related to some other quite important issues, including an increasing preponderance of people wishing to purchase second houses and those sorts of things—a big increase in investment housing and so on. A whole lot of things occurred, but you cannot explain what has occurred in terms of the demand push with demographic factors. It went beyond that. You have had up until fairly recently a situation in which there was an enormous expansion in the variety of sources for housing finance and a very big increase in actual house prices. We have seen a rapid escalation of house prices relative to general levels of inflation. There was also until very recently a very low interest environment, unlike in the previous so-called housing crisis following the property bust of the last 1990s and the recession of the early 1990s.

What has caused this then? Quite a lot of the commentary and quite a lot of the evidence would indicate that supply restriction and cost impost issues from state and local governments have been the culprits, particularly in terms of the impact that that has been having on the price of a land-house package on the fringe of the capital cities. There is overwhelming evidence that over the last 20 years state governments and local governments have withdrawn from the game of community based funding of infrastructure. There is absolute evidence to show that. In the north-western corridor of Sydney, for example—to take one extreme—something like 36 or 38 per cent of the purchase price of a new land-house package can be directly attributable to state and local government charges, imposts and requirements. That goes down in some of the other capital cities to around 20 or 22 per cent. That has one hell of a big impact. There is irrefutable data to show that.

One of the other things is that there have been very restricted zoning practices, and there has been a lot of quite critical analysis of the regional planning and development policies of state government agencies and some local governments in terms of restriction of the supply of land on the fringe areas of the major capital cities. That restriction has bitten particularly hard in Sydney; it has had less of an impact in Melbourne. There is likely to be a substantial impact in south-east Queensland as a result of the most recent regional plan, which is putting severe restrictions on where development is likely to be permitted into the future here. So when you look at those issues it raises the question, from a public policy point of view, of what might be a more appropriate way of looking at the supply restriction and the cost impacts from government action at the state and local government level in terms of the impact that might have on housing affordability.

I would emphasise in conclusion that there is no weighty evidence as yet to show that we have had a big blow-out in mortgage defaults in the purchase sector. Nationally it is under 0.4 per cent and, in fact, there is quite substantial evidence to show that something like 40 per cent of people repaying mortgages are ahead in their payments. So it is not a systemic issue, but it certainly is an issue in terms of particular types of households and particular locations. That comes out most plainly, as we have seen in the last year or so, in Western Sydney. It is exacerbated there by negative equity, in terms of what has been the first homebuyer market there, as a result of property prices coming off in that area. So I think that there are some pretty big issues to look at. Certainly there is a problem for some groups in society and at some locations, but if you look at the aggregate it is not a crisis.

CHAIR—Thank you, Professor Stimson. Dr Robson, do you wish to add anything?

Dr Robson—No, I do not. Thank you.

CHAIR—I think that if we had some of our other witnesses here with us we could certainly have a lively debate between you and them, Professor Stimson.

Prof. Stimson—We could indeed, Senator.

CHAIR—I have got one or two in mind.

Prof. Stimson—You look as though you would relish it!

CHAIR—I could probably be the referee!

Senator COLBECK—Professor, that was a very interesting submission to us. Certainly, as the chair said, we have had a lot of conflicting views about some of the problems. You wound up by saying that it is a problem for some groups and some locations. The Senate has set up an inquiry into housing affordability. We are generally seeking solutions and ideas that we might recommend to the Senate on how we might deal with this issue. As I say, we have got this submission to have a look at, but have you got anything that you might wish to say to us about how we should approach it? Should, say, the New South Wales government be more proactive with local government? Is there any particular thing you would say to us for us to consider?

Prof. Stimson—I think one of the big issues is that a lot of the problems are institutional and come from the change in the functions of government that has occurred over the past 20 years. You could, from a sort of equity, whole-society, welfare outcome perspective, suggest that—

Senator HUTCHINS—Could I just interrupt there. I know you were here when Senator Macdonald was asking questions about sewerage. Is that somewhere where you—

Prof. Stimson—Yes. You could get a community rating way of having charges that the total urban system in a particular location covers through an ongoing contribution, for example. One of the other things is that, if you look at things over time, state and local governments have simply withdrawn from investment in infrastructure. Their contributions to the proportion of GDP going into infrastructure have gone down by over 50 per cent over a period of 30 years.

That is a massive turnaround in the way in which we used to fund the development of cities and so on and where the cost impact occurs. Is it shared over time, through rates, other charges and taxes and so on, or, as Senator Ian Macdonald was saying earlier, do we now have a situation where it is the first homebuyer, largely, that is covering the direct cost in situations where state and local governments used to pay for a lot of infrastructure?

You can have a big debate over this, about whether it ought to be user-pays, community rating or whatever. The cost impact of those changes on the purchase price for a land-housing package on the fringe of cities—which is still the dominant area for the first homebuyer to enter the market—has been profound, to an extent that would vary from something like 10 per cent to up to as high as 30 per cent, depending on what state you are in and what city you are in, in terms of the cost of those charges in a first home package.

Senator COLBECK—I am interested in your assertion in respect of the issue—rather than the crisis—of housing affordability. I recognise that there is variability across the country. There is no question that that is the case. There are different things that impact on that in different places. We discussed in New South Wales the fact that there is rate pegging and that councils have found a different way to get money out of developers by charging levies or fees or using some other process to get their money. The system will find a way. Those things vary in different states and have different impacts. But across the board wouldn't you say that there is obviously a blow-out in affordability, when you compare wages growth with housing prices? It varies, as you said, across the country, but it has significant impacts. We are in a situation where—I do not think it matters where you go—to varying extents there is a significant issue with the cost of housing across the country.

Prof. Stimson—There is.

Senator COLBECK—Do you think that the cost of the development of new property, new land estates and all those sorts of things is one of the things that provide a base in the various markets? Is that one of the drivers of the base of those different areas of the market?

Prof. Stimson—There is certainly that. There is an issue in some cities of restricted supply. There is certainly no doubt that, as state and local government policies are moving more towards what you could describe as an urban consolidation—redevelopment of existing areas and so on—the unit cost of housing activity goes up with densification. If you look at Sydney now, something like 60 per cent of the new dwelling construction is in redevelopment, densification and so on within existing areas. That is yet another example of a planning approach which has had cost impact implications. Whether you want to balance that off against the supposed energy and other benefits is an issue, but we need to understand that these policies are in fact having an impact on the cost of housing.

As I alluded to earlier, you have had this extraordinary increase in the cost of housing in the latest boom, and you cannot explain it by demographic factors. Why is that the case? You had this big shift of money into investment property and those sorts of things as well. That has gone out now, because the rental returns on investment property are very low—they are about two to three per cent, four if you are lucky, and in other

areas of property investment the returns are around seven or eight per cent. So it is not economic at all, without negative gearing, to have small investors provide the vast bulk of rental housing in our cities.

It is probably not going to be recovered in terms of housing prices going back down; indeed, that would have a deleterious impact because a hell of a lot of people, as they are now finding in Western Sydney, have negative equity in their investment for home purchase. That is a problem, but to some extent these things have been offset by what has been historically a low-interest-rate environment. That has changed, as we all know, in the last few months. We probably will not see terribly many more increases in interest rates in the next year or so, but you have had also a substantial extension in the length of mortgages, from around 22 years up to around the 30-year mark now. Whether that is a bad thing in these terms is debateable.

Another thing is there is a lot of evidence to show that many households wish to consume more housing, and we see this in the size of new houses, which has gone up substantially, both medium-density housing and freestanding houses. We have also seen a great preponderance for Australians to borrow against the equity in their housing for non-housing consumption and investment, and we have to realise that a lot of the mortgage figures include the use of mortgages for those purposes, not 100 per cent for the purchase of housing. There has been a predilection for Australians to upgrade through renovation, extension and so on, and you can say at one level that this represents a consumption that is discretionary. On that basis, is it an affordability issue in economic terms? The answer is probably no; however, at the bottom end of the market—and this is one of the other things that I forgot to mention—the international benchmark called the Ontario measure of defining a household is that housing cost induced income stress is where a household in the bottom 40th percentile range of income distribution is paying more than 30 per cent of gross household income in housing costs. Why is that the international measure that is used? It is widely used across Western countries for establishing a benchmark for eligibility for housing assistance.

A lot of the data that is used—and this is one of the problems with the Housing Industry Association index—takes it that, where any household is paying more than 30 per cent of gross income in housing related costs, that represents a financial stress. That is just sheer nonsense. A hell of a lot of high-income households are paying 60 or 70 per cent discretionally in terms of consuming a lot of housing and high mortgages being charged. My point is that it is not a systemic thing; it is something that is related to particular categories of first homebuyers, certain income groups who have difficulty getting into the first home purchase market and those who, due to the unaffordability of some components of the rental market, are on the fringe of having eligibility for rental support and so on but cannot get it because there is just not enough money around for those schemes. They are possibly facing quite a long-term future in the rental market as against moving into purchasing. As I say, you have to look at the aggregate figures. We have not had a dramatic slide in the incidence of home purchase in Australia.

Senator IAN MACDONALD—Professor Stimson and Dr Robson, thanks very much for your submission, which has a lot of great stuff in it. We very much appreciate what you have submitted to the committee and what you have told us. I acknowledge that you are not advocating this, but I hope one of your scenarios for a reduction of housing affordability that you mention in your conclusion—that is, a recession, higher interest rates and higher unemployment—does not come to pass. I acknowledge that you are not advocating it, but I hope that that does not come to pass.

Prof. Stimson—So do we.

Senator IAN MACDONALD—I am a bit more interested in the other area you comment upon, which is geography. I come from the north of Queensland and am a great advocate for a big future for Northern Australia as the south gets drier and some of you people get sick of not being able to water your lawns. You said people live in the south-east Queensland area or in Sydney, for example, because that is where they want to live for all the obvious reasons. Do you think there is a role for governments to try and encourage further decentralisation so that people will be encouraged to go where the land prices are perhaps not quite as high and building costs are perhaps not as great? In some instances you are getting closer to where the real jobs are, in the mining or good tourism areas up in the north.

Prof. Stimson—You are right to one extent that certain places outside the metropolitan cities have been growing and are doing very well. Cairns is a case in point, with the private sector economy. Townsville is also a very successful case, with large public sector involvement. That is terrific in both cases. But, where it happens, usually you will find that it is agglomerated in particular places and those places grow and bigger places get bigger. Around the whole world there is very little evidence to show that public policies that are

explicitly oriented towards deliberately decentralising population and economic activity work. The overwhelming evidence is that they do not.

You can try to develop growth with strategic infrastructure investment. The role that the Commonwealth has played in Townsville, for example, with the military base and that sort of thing, is a case in point. Certainly governments can play a very large part. The work that we do in the area of regional economic development in Australia, which is one of our big research programs at the University of Queensland, quite clearly shows that most of the successful larger towns in Australia have a very substantial public sector base to their employment—in the order of 22 and 25 per cent in just about every case. That is related to things like big base hospitals and health infrastructure, regional offices of federal and state government, educational institutions, regional universities, TAFE colleges and the like.

I certainly would suggest to you that there is a very explicit and direct role that governments at both the Commonwealth and state level can play in enhancing the greater success of places outside metropolitan areas that are a success, but I cannot foresee a situation where you are going to really stop the continuing attraction of the large metropolitan region. Around the Western world, the big cities are growing bigger simply because of what are standard agglomeration economies and the much more diversified labour market of those big metropolitan conurbations.

Senator IAN MACDONALD—I often say that the Department of the Premier and Cabinet should make sure, with better communications these days, that all of their staff live in Longreach, for example. That would free up a lot of housing in Brisbane, but I am not sure that it would be affordable.

CHAIR—Ahem.

Senator IAN MACDONALD—Madam Chair, did that ‘ahem’ mean, ‘Get back to the subject’?

CHAIR—No, I have a cough. I have been coughing for two weeks over the inquiry, and it is still happening.

Senator IAN MACDONALD—I thought you were bringing me to order!

CHAIR—Sorry, Senator.

Prof. Stimson—One of the downsides of what you would like to see, Senator, is that where you do get rapid growth in non-metropolitan Australia, particularly coastal locations, as you have in the Cairns area, housing prices have escalated quite quickly—not to the same extent that they have in some of the metropolitan areas, but it has still been very substantial.

Senator IAN MACDONALD—It has. Both your written submission and what you have said suggest that you do not necessarily agree in a broad way with the thought that local government charges or infrastructure charges are a big cause of affordability or non-affordability. I wonder if you have any thoughts about whether, if local government were given a wider source of income—the obvious example is a share of the GST—they might be able to go back to the days when they contributed more to infrastructure. Do you have a view on that?

Prof. Stimson—I think it is a problem for state government more than local government. We must recognise that the local governments operate very much within the constraints imposed on them by state governments. In fact, they are total creations of state government; they do not have any standing in the Constitution of Australia.

Senator IAN MACDONALD—Not yet. It is about to happen, I believe.

Prof. Stimson—Last time it was voted on it was pretty resoundingly defeated, but that was for a whole lot of reasons.

Senator IAN MACDONALD—That was politics!

Prof. Stimson—You could mount an argument that we ought to be giving much greater responsibility to larger-scale local governments and bypassing state governments. If I were to point a finger at the level of government which has probably been most irresponsible in this way over the last 30 years, it would have to be at the states.

Senator IAN MACDONALD—Great. Professor, here is a paid advertisement: if you are not doing anything in the next few weeks there is another Senate select committee, on state government financial management, that I think I would like to hear your views on!

CHAIR—Indeed.

Senator IAN MACDONALD—Keep an eye on it; it is on the website.

CHAIR—Are you on that one too, Senator Macdonald?

Senator IAN MACDONALD—Yes.

CHAIR—Well, there you go. Professor, I have just had a quick flick through the document you have given us here today. Thank you very much for that. When we were in our first set of hearings in Canberra about two weeks ago, the Department of Families, Housing, Community Services and Indigenous Affairs, FaHCSIA, went through some of the more recent initiatives of the federal government, which indicate that they are probably seeing this as being at crisis level. Look at the implementation of the National Housing Supply Council, the National Rental Assistance Scheme, the Housing Affordability Fund and the first home saver account, the government's continuing support of the First Home Owner Grant, the quite extensive work on the National Affordable Housing Agreement—although I am not sure quite how you form an agreement about the national affordability of housing—and those sorts of initiatives. I wonder what your view is on some or any of those, particularly the ones which are trying to stimulate entry into the market.

Prof. Stimson—Those that have tried to stimulate entry to the market through subsidies to first homebuyers are only likely to have an indirect impact in terms of driving prices up further. The overwhelming evidence of all of the schemes that have been tried over the last 30 years shows that that is pretty much the outcome. There are other ways of doing it in different societies. In America, for example, the interest rates on mortgages are a tax deductible item. We do not have that in Australia. Some of my academic colleagues would vociferously argue against that, and indeed some of them push the notion of imputed rents being imposed on a home purchase. That is a nice theoretical economic argument, which I will not go into. There are other policy approaches that are tried in other countries. That would probably be the most direct way of getting an advantageous outcome for the recipients over the duration of home purchase. They do it in the United States. I am not necessarily advocating it but merely pointing out that other societies do approach these things in different ways.

The Commonwealth-State Housing Agreement mechanism, which has been in operation since just after World War II, has taken a bit of a battering, in fairly crude terms, by governments of all political situations. In the last 20 years there has been a big withdrawal from investment in the public sector in terms of capital stock for low-income housing. It might be time to start to have a look at doing that not necessarily through public sector investment and management but through some innovative approaches that other societies operate quite well, such as giving incentives to the private sector to provide low-income rental housing. That is done quite well in other parts of the world. We have been notoriously lacking in innovation in how we approach the low-income subsidy sector—what is called social housing in this country. I think that there are very big institutional attitude impediments in state housing authorities to exercising their minds on innovation in that field in this country.

That is my conclusion, having done research in this area over the last 40 years. I think we are way off the ball in terms of innovation approaches compared to what has happened in the social housing sector in European countries—and also in the United States, if I could dare say that.

CHAIR—You certainly can. What about the concept of assisting those described as marginal mortgage holders—people who are at risk of losing the capacity to pay their mortgage, losing their house, obviously, and therefore becoming more marginalised and so it goes on? There has been some discussion—and we had some evidence in Sydney, if I recall correctly—about the possibility of policy approaches that would keep those individuals or families in their housing as a primary policy response.

Prof. Stimson—It depends on what you are going to identify as constituting, and what the mechanism is for targeting, real marginal situations. If that were related to a situation where people were overextended through a voluntary predisposition to overconsume, that would hardly be a situation for intervention in terms of a public subsidy. If, however, you were to limit that initially to the target group by using that Ontario international benchmark measure, you could mount a very good equity argument to say that that might be an approach—and it might only be a short-term requirement. Who knows? If we move into longer term higher interest rate environments it becomes a bigger issue, but I would re-emphasise: even though interest rates have gone up at the moment in this cycle, if you go back to the late eighties, early nineties, they are way lower. The interest rate was capped at, I think, 15 per cent at one stage—13½ and then 15 per cent—for financial institution loans for home purchase where you occupied the home, and at that time, for investment loans, at one stage it went up to nearly 21 per cent. We are in a different environment, but there are a different set of circumstances causing the costs.

CHAIR—I heard that argument about interest rates somewhere else recently. For the novice in the discipline, can you give us a brief explanation of spatially integrated social science.

Prof. Stimson—It is one of 24 research networks that were established by the Australian Research Council, and we have over 350 members, a lot of them younger researchers. We do work in looking at the use of spatial methodologies to address and measure social and economic phenomena in our society.

CHAIR—Very interesting.

Senator TROOD—I am acutely conscious that I have arrived rather late in these proceedings, and one of the consequences may be that this question has been asked earlier. I was just struck by your remark, Professor Stimson, about the differential between the Ontario measure in relation to housing affordability and the HIA-CBA figure. I was interested to know whether or not there is any quantification of those differences.

Prof. Stimson—Yes, there is. My colleague Ann Harding, who runs NATSEM, is in our research network and we do a lot of collaborative work together. Her group has done the best modelling work to identify where those target groups are using the Ontario measure to address housing affordability and housing stress. She has had two reports come out relatively recently. I do not know whether she is giving evidence to you. She is overseas at the moment.

CHAIR—She is not available but her colleague—

Prof. Stimson—Robert Tanton. I strongly suggest that you do receive evidence from them.

CHAIR—We did—in camera.

Prof. Stimson—They are the best qualified to give you the explicit statistics on that.

Senator TROOD—There is a significant difference between those two measures.

Prof. Stimson—Yes, indeed.

Senator HUTCHINS—In Sydney we had WSROC, the Western Sydney Regional Organisation of Councils. The chairman, Councillor Hay, talked about one of the problems being the rate of land release. I would be interested in your observation. Part of the federal government's plan is to release significant parcels of Commonwealth land. Do you think this will have an impact on housing affordability or are we just missing the mark altogether?

Prof. Stimson—It would have a marginal effect in total terms. There is an enormous amount of land held by the public sector across all levels of government that is either redundant or maybe ought to go from one use to another—military reserves that could be brought into urban use et cetera. I think probably the New South Wales government has done more than any other in Australia to restrict the opportunities for urban growth on the fringe of Sydney. That has been related to explicit state government planning views and legislation, which, quite frankly, are ideologically based and do not have any sound economic or social basis.

CHAIR—Professor Stimson and Dr Robson, I thank you both on behalf of the committee for appearing this afternoon, for your assistance with our inquiry and for the material you have provided to the committee. It has been a very interesting session.

Proceedings suspended from 3.23 pm to 3.33 pm

MYERS, Mr Michael, Executive Director, Queensland Community Housing Coalition Limited

CHAIR—Welcome. Thank you very much for coming this afternoon and assisting the committee. I also thank the coalition for your submission to the inquiry, which is very helpful to us. I would like to ask you to make an opening statement, if you wish; then we will go to questions.

Mr Myers—Thank you very much. Queensland Community Housing Coalition is a peak body representing not-for-profit providers. Our members are housing associations and co-ops, local government and Indigenous housing providers. They operate across the whole spectrum, from homelessness to the new affordable housing companies, like Brisbane Housing Company and some of the larger providers.

Our members are at the front end of dealing with the growing housing crisis. What they are telling us is that the housing crisis is having a whole lot of impacts on the wider community, not just on the people who are in housing need. They are really describing a situation of increased polarisation between housing haves and housing have-nots. There are those people with a choice in housing, people who believe that the last two decades, when house price inflation has risen faster than general inflation, have been good to them because they are actually in housing stock and they have acquired an increased capacity to get access to credit and the other things that go with it. Then there are those who are outside that.

Our members are describing some quite surprising impacts right at the very bottom end, where, for the very first time in the life of many organisations, they are seeing homeless people who have actually got work. So there are people in jobs but they are low-paid, part-time or casual jobs and they cannot access housing. They are putting increasing demands on homelessness services which have traditionally worked with people who have got a mental health problem, are escaping violence or have some other personal characteristic to their need. In this case it is simply that the new homeless are those who are economically excluded from the housing market.

Obviously, the core issue for our members is not to see governments putting more and more money into social housing responses but to actually find ways of putting the housing industry on a more balanced and sustainable footing in the long haul. If we do not do that, if we are going to try to tackle a situation where the private market is failing maybe as many as 50 per cent of new households, then the cost to the taxpayer and the cost in social investment, in social and affordable housing, will be quite enormous. We did a bit of research in 2004-05 and we looked at the income profile across Brisbane. We looked at a typical bank lending regime and we looked at median house prices in the poorest suburb in Brisbane, which is Inala, for those who do not know Brisbane. We found that 54 per cent of households would have insufficient household income to buy a medium-priced house in Inala, the cheapest suburb in Brisbane, if they were entering the market right now and seeking a mortgage to pay for that house.

Our members are not providing evidence in front of this committee to say, 'Let's spend billions more on social housing or on our members and the housing that they are providing.' They are saying that some very, very significant political decisions need to be made to put the housing system back onto a sustainable footing. We have covered some of those in our submission. One of the most surprising things when we talk about the quantum of resources is that the 2004 report of the Productivity Commission inquiry into homeownership identified about \$25 billion that goes in various tax concessions to the homeownership field and about \$4 billion a year that goes in direct government outlays in terms of the Commonwealth-State Housing Agreement, Commonwealth rent assistance and the First Home Owner Grant scheme. Our members are saying that that is a lot of money and asking why Australia has still got a housing problem when the Australian government is providing outlays or tax concessions to the tune of \$30 billion a year.

Clearly, the need for money is not the answer. Maybe the problem is the way that that money is distributed and its impact overall on the housing system. That may be to do with the fact that many concessions and spending programs have grown up in an ad hoc way. They have just been layered on top of each other and some of the tough decisions that would be needed to take away some concessions and benefits from some people are just too tough, politically, to make. That includes capital gains on very rapidly rising house price inflation at the top end of the market that is dragging the rest of the market with it.

There are a number of things which governments have done. They have met one particular segment of need by providing a new funding program or a new concession, and that has probably added to the overall ad hoc nature of investment, taxation and tax concessions. There is no clear view about the impact on the overall long-term sustainability of the industry. You have probably heard loads of evidence about the statistics and the

demand and supply side factors. Supply clearly is a major issue. We are sitting in a part of the country that has to provide another 500,000 homes by 2026. New towns are springing up all over the south-east. It is a major issue if you cannot get the supply side sequenced and released in the right way. It is not just governments that are sitting on land. The private sector sits on land with a speculative eye as well. There may be ways in which you can penalise certain behaviours and reward certain other behaviours.

When we talked about polarisation, one of the things that has happened which is a great success story is the rise in two-income households—the rise of working women in households—and the corresponding wealth that has gone into those households. On the other side, if you are a single-income household, whether you are young or aged or have been separated or divorced—and a third of all marriages end in divorce—it is not so good. There are major issues when two incomes have been needed to service a house and to pay the mortgage or the rent and a relationship breaks up or a partner dies due to ageing and you then have only one income to service a house. In some cases, two houses are needed, because both partners are sharing a caring responsibility.

On taxation and concessions, a lot of work was done by Judy Yates and also by the Committee for Economic Development of Australia to show that the way that tax concessions are distributed means that many people are getting those concessions when they least need them: towards the middle and end of their housing careers and at higher levels towards the middle and end of their housing careers. The way we are distributing assistance is not helping the right people at the right time. Other kinds of fees and charges, like stamp duty, get in the way. It is a barrier; it is a transaction tax; it has literally nothing to do with housing and housing supply and demand. Infrastructure charges, particularly the propensity of councils to have flat rate infrastructure charges, reward bad behaviour.

If we were trying to put an affordable housing development on Pine Rivers with small-lot workers cottages at \$300,000, a \$60,000 infrastructure charge would be out of the question. The people up the hill were providing \$600,000 houses. A charge of \$60,000 is much more able to be accommodated by a large house with five bedrooms and three bathrooms than by a workers cottage. If we are going to steer the industry better, we have to have progressive fees and charges that say, 'This kind of behaviour is affordable, sustainable and provides good housing outcomes; this kind of behaviour is massive overconsumption and we need to tax it accordingly.'

I now come to a couple of political points that I would like you to consider. The first is the idea that we can get this system into long-term balance without there being any losers. I know that that is a politically palatable way of handling this situation, especially when we are talking about changes that we would like to steer over 10 to 15 to 20 years, so that the next generation have good housing opportunities. Every successive generation has had better housing opportunities than the previous one. But it is very difficult to see how you are going to find a way of bringing incomes and house prices into some kind of rational relationship if house price inflation continues to rise at the rate that it is rising and low and moderate incomes are rising at three to four per cent. If house prices are rising at 12 per cent and their incomes are rising at three per cent or four per cent, they are going backwards.

So, somewhere along the line, for the long-term interest, it may be that we have to find a way of, over time, changing the mix of winners and losers. And it is a very sad thing to say, but I know that there are people out there who are now concerned about their children and their grandchildren and their opportunities. While they might be able to help them, because they are reasonably housing-rich themselves, as a society that is not a good way of saying how we are going to care for the next generation moving into housing—to say that it is a matter of who got into the market at the right time, and whether they can afford to help their children.

Those are some of the issues that we wanted to raise. We also wanted to talk a little bit about the idea of an affordable housing industry. Across parts of Europe, as they have tried to deal with these changes, you have seen structural changes in the way both government assistance and the direct provision of housing has happened in the social field; the Netherlands and the UK are two leading examples. Where the common interest has lain between government, industry, the finance sector and the community sector is in trying to generate an industry that can deal particularly in the affordable housing field. I do not just mean a spending program; I mean things that would be characteristic of a proper, functioning, long-term industry that can drive innovation and can improve efficiency. In the UK, over £35 billion has gone into affordable housing since the 1989 housing reform act. That has been welcomed by all parts of industry and by both sides of politics. But it would be a real shame if, in 10 years time, we saw the housing infrastructure fund, the National Rental Affordability Scheme and the first homeownership scheme ending up as spending programs that delivered a

limited number of outcomes in that time and did not, instead, work to a holistic approach to creating a more affordable housing industry.

We will end by saying that the kind of functioning housing system that our members, who work in the community, want to see is one where incomes and prices have some rational relationship. They want to see a housing system that responds to the different markets, conditions and household make-ups in their local areas but meets the needs of the whole community—a system that works for everybody and it is in everybody's interest. They want a system that promotes the idea that people of different incomes and different households can actually live together in integrated communities where some people might be renting, some might be buying, there may be shared equity, and there may be rent to mortgage schemes and mortgage to rent schemes—a whole lot of new diversity that reflects people's changing circumstances. They want to see people living together and not polarised into estates of rich people and areas of poor people.

That also means that we need to find a way of ending the polarisation that is public and social housing—that it has moved so far into a welfare housing system. It is really un-Australian; it is not the way that previous generations have experienced public housing. They got in there, it was near jobs and it was there to provide a helping hand where you could save up and then you could either buy your home through the commission or you could go off into the market. Now it is an American style welfare tenure and it is going to remain that way and it is going to stigmatise the very people who need it most. It will isolate it away from community support. Already out there in the community our members are saying, 'Nobody wants this stuff in their neighbourhood.' Well, it is the same stuff we were building 25 years ago. Why does nobody want it in their neighbourhood? Because of the stigmatised label of welfare housing. That has got to change and we have got to work through how we have a continuum of housing responses. This fundamentally means that the way that we distribute subsidy must be much more sophisticated and discreet—at the right times, in the right ways and not with a big flag over it saying 'welfare dependent' or 'not welfare dependent'. As Judith Yates's research has shown, the people who have received the most would never perceive themselves as receiving welfare. But the people who have received \$5,000 a year in subsidised public housing have got a big label over their head saying 'welfare'—in fact, 'non-deserving welfare recipient' increasingly is the flag that is over their heads.

So those are some of the ways that we want to see things move. We want to see opportunities for improved choice, diversity, social inclusion and economic participation driven through better housing outcomes.

CHAIR—Thank you very much, Mr Myers. You have given us a lot to think about there, and so has your submission. Let me start with one question. Under your heading of 'Planning and Infrastructure' you talk about agreeing a:

national framework for the types of infrastructure that it is reasonable for new homebuyers to pay—

for, and then what—

the wider ... community should meet—

and, I assume, what government should meet.

Mr Myers—Yes.

CHAIR—How do you envisage that working?

Mr Myers—A lot of this is actually about having a proper conversation about what the options are, because at the moment you just get an industry-polarised view. You will get government, particularly local government, saying, 'We can't afford to put these higher standards of infrastructure in place unless somebody pays and it's a user-pays system,' and you will have industry saying, 'The fee structure is unreasonable and it doesn't bear any relationship to the infrastructure that's required.' There is some very interesting research that has been done in the UK about categorising what is housing related infrastructure and what is broad community infrastructure. Even more sophisticated than that, they have said, 'What is infrastructure that is necessary for today's generation to consume housing and what is infrastructure that is intergenerational—that will be there for future generations to enjoy? How do we spread the cost of that?' I would certainly say that the discussion papers that have been produced in what was then the Office of the Deputy Primary Minister in the UK were really good starting points, but I am sure that there is good academic research here as well. We just have to find a way of saying that people who are buying houses right now do not pay for all the libraries, parks and everything that people are going to enjoy for generations to come.

CHAIR—Thank you very much. I have a couple more questions but I want to give my colleagues a go, so let me go round the table.

Senator HUTCHINS—On your last point, Mr Myers, in some states—particularly your own state—the local government is very much limited in what they can charge, whereas in other states it is one of the few ways they can get funding for a library. Do you have much contact with your New South Wales colleagues?

Mr Myers—Yes.

Senator HUTCHINS—Do you have a common view in relation to the charges? I am not sure you called for the abolition of stamp duty, but you did say it was a barrier to homeownership. I am not sure you used those words. In New South Wales and other states, as I recall, it is a long-standing and legitimate charge.

Mr Myers—Yes. We do have these conversations through the Community Housing Federation of Australia and through the National Affordable Housing Summit group, which I have been active in as well. I think that there is generally a consensus that it would be nicer to codify infrastructure that was relevant to the household that is buying the house. But it does mean that somewhere, out of the common pool, resources have to be provided for the other infrastructure, and that is the trade-off. It can be pretty unpalatable if you are a ratepayer and it comes out of the long-term rate base, taxes or whatever. It has got to come from somewhere.

Local governments, I think, would benefit from some standardisation in a range of things to do with housing planning approval processes as well as infrastructure, and a national framework could provide guidance for that. There are plenty of levers that the federal government could pull that would steer councils to having much more consistency and transparency in that way.

Senator IAN MACDONALD—What are the levers?

Mr Myers—Through funding arrangements, basically. We know that, for example, if the Commonwealth wanted state governments to approach a certain housing issue then the Commonwealth-State Housing Agreement would be a funding lever that they could attach certain behaviours to. Again, funding levers in particular can help steer. At the end of the day, if the councils believe that the community as a whole is prepared to share in intergenerational infrastructure then they should be political champions of that. You have to wonder why councils would want to continue to put their heads on the chopping blocks of these very high infrastructure charges if there were a more rational way of doing it.

Senator IAN MACDONALD—I do not think you were here earlier, when we had some witnesses from the conservation area—if I can broadly categorise them as that—who were suggesting that we should have caps on the number of people living in particular areas like the Gold Coast or Brisbane. Do you have a view on that? Would that in any way assist in providing affordable housing, or does it perhaps do the opposite?

Mr Myers—In the Noosa example it has done the opposite. In a sense, where you constrain the supply of housing and you constrain population moves then the price of the good that you are constraining goes up. In Noosa it went up a lot. I drove to Noosa to meet the then mayor, who is now Mayor of the Sunshine Coast Regional Council, to talk about affordable housing and I picked up a young bloke hitchhiking from Cooroy to Noosa—30 kilometres. He was a chef in Hastings Street and he could not afford to live in Noosa. In fact, I think the Mayor of Noosa for quite a long time could not afford to live in Noosa. So I do not think that that is necessarily the answer.

If there are real ecological issues that we cannot deal with through good infrastructure and good planning then the community need to have a debate about what are the best ways to get a fair distribution of the costs, burdens and benefits in that. But simply pricing people out by saying, ‘This is a limited and prestige environment,’ is exactly the kind of polarisation that is not doing anybody any good. The person serving in a coffee shop or driving the bus around Noosa for the old-age pensioners to get to the shopping centre has as crucial a job to that environment as those of the people running the five-star hotel. It seems to me that it is a form of economic prejudice to exclude those people from living near their jobs.

Senator IAN MACDONALD—For those of us who have houses—and I suspect we all declare an interest here—you acknowledge that to change the law that says that when you sell your house as you get older you will have to pay capital gains tax on it would be hugely unpopular politically. We are politicians, and governments, unfortunately, are run by politicians. A number of people have suggested that we should get rid of the exemption of private housing from capital gains tax. Have you seen any research or suggestions from think tanks that have come up with some idea that practically might achieve something like that? By ‘practically’ I mean politically acceptable.

Mr Myers—No. A lot of the analysis is about why certain concessions or expenditures are good or bad in their own right. To me, the biggest challenge that we face is actually getting the balance of this right for the right kinds of arrangements. In other words, it may well be that capital gains tax should only feature in certain

circumstances in certain ways for certain types of gain. It could well be that the fees and charges need to work in certain locations differently. I just think that from our point of view the \$30 billion that is going out there in concessions seems to be working to fuel the problems that we are facing. If it is politically unpalatable to put in something like a capital gains tax, maybe it is still more palatable to look at the whole mix of what the government is currently doing and find ways of changing it over generations. I think it is a 10- to 15-year thing, because what we have now is the result of 15 to 20 years. So we need small changes, but steering things in the right direction is the way that I would go.

Senator IAN MACDONALD—Finally, the \$30 billion you have used: have you got a rough line item on how that is made up?

Mr Myers—Yes, I have.

Senator IAN MACDONALD—Is it in your submission?

Mr Myers—It is in the 2004 Productivity Commission report and it is made up of three components that the economists outlined at that time: capital gains tax exemptions—these are 2003-04 figures—of about \$8 billion, land tax concessions and imputed rental value, which is a way of calculating the value to somebody who is consuming the housing, who owns or is buying the housing. Those three add up to about \$25 billion or \$26 billion then on top of that you have got \$2 billion in Commonwealth rental assistance, \$1 billion in Commonwealth-State Housing Agreement and, at that time, just over \$1 billion in the First Home Owner Grant. They did not put in negative gearing, which is also a concession, but that is because it is seen as an investment class concession and not to do with housing. Many people—probably people who have appeared in front of you—will have had a go at negative gearing.

I make this point: the federal government has announced \$603 million in incentives for a new supply of privately rented housing that will be offered at a discount—that is, \$603 million over five years. I just read a report that currently negative gearing is costing the taxpayer about \$2½ billion. You could do a hell of a lot more with that money if you said that that concession was about the supply of affordable housing and those investors who wanted to do a triple bottom line investment would still get their concession and would be helping the country. At the moment, in Queensland a lot of that on the Gold Coast will be going into investment and short-term let housing for holiday makers. Why the taxpayers of Australia want to support investment activity that finances holiday activity for people coming into apartments that stand empty most of the year I do not know. It is beyond me why we want to do that.

Senator IAN MACDONALD—It helps with the local tourist economy, I suspect.

Mr Myers—If the lord mayor of the Gold Coast were here, he would be saying that about 40 per cent of his residents earn less than \$30-odd thousand a year and they cannot afford housing down there. If he had a choice between that tax concession I know where he would be putting it, and he has joined us on many a platform to share that view.

Senator IAN MACDONALD—He is but a politician relying on the votes of his constituency, as we all do.

Senator COLBECK—I was interested in your comment in respect of the impact of two-income households. I do not think that there is any question that they might have had an effect, particularly as more and more women started moving into the jobs market and their households had more income available to spend on housing. That has potentially had an impact on the market. My perception is—and I have had conversations in this context and it is perhaps even borne out by your comments about the number of people who can afford to purchase a house in the cheapest suburb in Brisbane—that it is not so much an additional income but a necessary income as part of this whole process, but it still does not lessen the effect on those that are single-income households.

Mr Myers—That is right. It is a really big issue, and I think it is also tied up to some extent with our generation, who see housing differently from our parents, not as something that you consume, pay off and is the right size for your household—the right number of bedrooms—but increasingly as an investment good. There is a whole industry out there selling books, magazines and television shows all about this wonderful thing called your investment.

When I did go up to Pine Rivers to look at providing those workers cottages and we looked up on the hill, they were all what is commonly described in magazines as McMansions. The typical household there had 2.1 to 2.4 people. The houses had four or five bedrooms, three bathrooms—heaven knows who wants to clean it all! The point about it is that we have an idea that the value of the land and infrastructure requires this big

investment of a big house, because we are going through such a lot of pain to pay for it, so we had better get the best investment out of our house that we possibly can, and the market feeds into that concept of size.

One of the challenging things when we face these environmental changes ahead of us is how we curtail that consumption pattern and get it back into balance with our household size. People have borrowed to the hilt and they are very concerned—there are scared people out there—about ending up in negative equity. So all these policy issues that you are dealing with are clashing into each other. How do you get house prices down while taking into account a whole lot of people who have been overexposed in a that kind of environment. It is really long-term things that need to be done in short, short steps.

Senator COLBECK—So we have gone from little boxes on the hillside, as the song used to go, to McBoxes on the hillside. It is all part of the social change over the last 15 or 20 years.

Mr Myers—It is. We should not forget that Australia is one of the best housed countries in the world. We should always start with that. We are really doing very well internationally and we are not short of spending money but we just do not seem to be getting the housing outcomes, the environmental outcomes and the affordability outcomes that we need.

Senator COLBECK—I want to take you back to your comment with respect to public versus welfare housing. It is something that we have discussed previously in our hearings. Do you have any numbers on the amount of public housing—we will call it public housing in an overall sense for the purposes of the question at the moment—that is here in Queensland? Do you have any sense of where that has been trending? I sense that it is down, but have you got any hard numbers on that?

Mr Myers—It is about 3.5 per cent of housing stock. It depends on how you quantify what is in there. It is about 60,000 units of accommodation. It has not been going up. There are a number of ways you can look at it. Basically, if you are looking at the population inflows that are coming into the state then you would have expected a much more significant expansion of direct provision of housing and we have not had that. So that is not a success story and I do not think it has been a success story nationwide. Social housing has gone from 6½ to probably about 4.7 nationally and there have been big drops in South Australia, New South Wales and places like that. Queensland always had a very small stock, so we have not gone backwards as fast as other people have gone backwards. Queensland also had the benefit of not concentrating as much housing stock in very big estates. We have got some medium sized estates but most of it is not concentrated in estates.

Senator COLBECK—You say that it has gone slightly down but is almost static?

Mr Myers—In relation to the population it is going backwards but in relation to other states it is holding up reasonably well.

Senator COLBECK—When we were in New South Wales and we talked to some of the groups down there, we asked them about the sustainability of the stock given the fact that it had a narrowing base and it was much more focused with respect to who it was providing the service to and therefore had a much narrower capacity to charge a range of rentals which could therefore be churned back into the system and assist with its sustainability. It was agreed that it was not sustainable anymore because the base was too narrow. Would you say that was a similar situation to that which exists here?

Mr Myers—It is a similar situation, and the polarisation that has happened means that the economic base that the system relies on is narrowing and reducing—and all for very good policy reasons. If you have a limited supply of very costly provision—which is your housing stock—anybody would want it to go to those with the greatest need. But when you target excessively those in the greatest need, you are actually running down your economic base for providing that need. The cake keeps getting smaller. You keep saying, ‘This top group of people who used to be in housing need are no longer defined as in housing need. They can go off over there and do whatever they are supposed to do in the market.’ So it is pretty dysfunctional. The rental base has dropped quite considerably in the housing stock and the cost of providing the operational subsidy has gone up quite considerably, because the more you concentrate people with complex needs the more you have to manage the system. It is a self-defeating policy. Even social housing in America, which has had a dreadful reputation, is now moving away from that. They are moving away from it, and the Brits have moved away from it.

Senator COLBECK—So you would support a broadening of the base that is eligible for public housing, as distinctly opposed to the terms that we have used in respect of welfare or social housing.

Mr Myers—We have done a bit of work on a continuum. I do not know if I can table anything, but it has a continuum of housing need and then a continuum of responses and more sophisticated ways of targeting

subsidies. It is linked to a set of affordable housing principles; the way that our communities are saying they would like us to live.

CHAIR—In your submission at 6(g) under the subheading ‘New delivery and safety-net arrangements’ you mention a not-for-profit shared equity homeownership model being developed in Brisbane and you also mention funding a program nationally for not-for-profit housing providers to buy properties where families are being repossessed. I have called those marginal mortgage holders in previous conversations. I wonder if on notice, because we are almost out of time, and if it is not too much trouble for you, flesh those out for us. They are the sorts of ideas that we have found quite interesting in the past couple of weeks and I think some more information on that from the perspective of your very practical experience would be very helpful for us.

Mr Myers—Very much so. I have a presentation on shared equity which I can table.

CHAIR—Thank you.

Mr Myers—But there is a lot more information and detailed economic modelling that can go in behind all of that.

CHAIR—That would be fantastic. That would be extremely helpful because we have been discussing shared equity ideas in a number of places, and what you had to say about waiters, cafe workers and so on in Noosa strikes a remarkable chord in relation to Karratha. You would not exactly line up Noosa and Karratha side-by-side because they are very different places, but the issue of key workers not being able to be accommodated in their own communities is just phenomenally looming for communities like that.

Mr Myers—The two things that I will quickly say about shared equity is that the first thing that we understood in helping people in the community—and we run housing that is privately owned in the rental sphere as well—is that there are a lot of people in there who in the past would have moved through into homeownership. They are people who have a predictable income but it is a fairly low or modest. They are in a better position to compete for rental stock than the traditional households that we assist. This is having a knock-on effect down the chain and that is why we are seeing people on marginal and casual incomes being made homeless, which is unheard of. They cannot access the rental market because they are disadvantaged in relation to those who used to be able to move into homeownership. The shared equity model, which we are very close to doing the pilot on in Hurworth Street, is aimed in a non-inflationary way because it is actually taking people who cannot compete for the bottom of the market and slotting them into a new market underneath that.

CHAIR—If it is within your capacity, I would not mind you having a look at the *Hansard* from some of the evidence we took in Sydney from the NSW Federation of Housing Associations, which was about the very significant change in the profile of public housing tenants in Australia. In New South Wales we would call it the post-Richmond report—that is, looking at people who were de-institutionalised; the elderly, who are completely marginalised and have no capacity to sustain a housing contribution. There is also a cohort of young people which he referred to. I would not mind you having a look at that—it is not very long; that aspect at least—and reflecting on that from the Queensland perspective and your experience.

Mr Myers—Yes, that is fine. Was it Adam Farrer?

CHAIR—Yes, thank you.

Mr Myers—We work together.

CHAIR—I would be very grateful for that. If there are no further questions, I thank you very much for your submission. There are some very interesting ideas in there which I think are very helpful to us, and this has been a good discussion. Thank you for coming this afternoon and for assisting our inquiry. I would appreciate you providing that further evidence.

Committee adjourned at 4.15 pm