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SENATE

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN
AUSTRALIA

Reference: Barriers to homeownership in Australia

TUESDAY, 15 APRIL 2008

BALLINA

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

Tuesday, 15 April 2008

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

Senators in attendance: Senators Colbeck, Hutchins 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 1.46 pm

CHAIR (Senator Payne)—I declare open this hearing 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 with 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.

The committee is endeavouring to hear about the housing experiences of a broad range of Australians. To date the committee has held hearings in Canberra, in Sydney's CBD, in Campbelltown in Western Sydney, in Karratha in Western Australia and in Perth. We held a public hearing in Brisbane yesterday and met for some hours on the Gold Coast this morning. This hearing has been convened to receive evidence on housing affordability issues as they affect Ballina and the surrounding region.

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 do 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 Senate 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.

I welcome our first witnesses today from the Ballina Shire Council. I also acknowledge and thank the Ballina Shire Council for their hospitality here this afternoon.

[1.48 pm]

KENK, Mr Roberto Antonio, Social Planner, Ballina Shire Council

SCOTT, Mr Simon McKenzie, Strategic Planner, Ballina Shire Council

CHAIR—Welcome. We have a submission from the Ballina Shire Council; thank you for forwarding that to the committee. I would like to ask you to make an opening statement and we will go to questions at the conclusion of that.

Mr Kenk—We would firstly like to acknowledge the Bundjalung people, who are the traditional owners of the land, and the elders past and present. We would like to thank the committee for the opportunity to address you today. We need to point out that, due to time constraints, council's submission to the committee has not been endorsed by the elected council and, therefore, should not be viewed as being Ballina Shire Council policy. It has, however, been approved by the general manager and the group manager of strategic services. Consequently, the submission focuses upon local observations from council officer level.

Ballina shire, like many areas in Australia, is currently experiencing acute housing stress, with many low-income earners and first home buyers largely priced out of the housing market. The New South Wales Department of Housing, through its Centre for Affordable Housing, provided us with statistics that state that 79 per cent of very low income households in Ballina are currently under home purchase stress. In the June quarter of 2007, the Department of Housing estimated that there were no dwellings available for purchase to very low income households. The ABS identifies that a household is considered to be of very low income when it falls below 50 per cent of the median income. The median household income in Ballina was \$779 at the last census; therefore a low-income household in Ballina is one that receives less than \$385.50 gross per week. Basically, that equates to \$20,000 per annum.

Ballina Shire Council is currently working on developing an affordable housing strategy, which is scheduled for completion by 2008. It is envisaged that a range of strategies will be considered to address the issues locally. While council seek to engage and address the issues of housing affordability at the local level, we recognise that the options and strategies for us are constrained by the capacity, the governance role and the financial responsibilities from which local councils operate. Also, it is apparent that broader fundamental drivers of housing affordability are at work, which can only be addressed at a greater collective level by the state and federal governments.

Mr Scott—One key responsibility of local councils with respect to housing affordability is that of land supply. Indeed, land supply has received a lot of attention from the press, parliament and other parties as a key potential driver for addressing housing affordability. This is likely to be the case. However, Ballina shire's situation suggests that a number of other factors may be at work in affecting the actual supply of housing beyond the simple matter of local councils rezoning enough residential land. To give some background, Ballina shire currently has approximately 400 hectares of undeveloped residential zoned land available for residential development. This equates to roughly 20 years supply of housing at anticipated rates of

household growth. Beyond the 400 hectares, council has identified via growth strategies more land, which together appear sufficient to meet the shire's population demands for more than 30 years into the future. This is subject, of course, to both assumptions about population projections and assumptions that that zoned land will be developed in a timely manner.

Recent trends in population growth, however, suggest that land supply may be an issue regardless of these land supply assumptions. Other factors that appear to be affecting actual land supplies in Ballina shire include the following: delays in obtaining development consent due to state government streamlining measures; disputes between landholders and developers; opportunities to exploit market advantage; time lines inherent in the development process; and delays relating to the financial arrangements of developers or to changes in land ownership. These other factors are discussed in detail in council's submission.

No discussion of town planning would be complete, however, without mention of the increasing complexity of the planning system and mounting requirements relating to threatened species protection, environmental health standards and urban design outcomes that have likely contributed to the time required to bring housing onto the market. What is also clear, however, is that development that does not achieve a balance with respect to its impact on the broader environment would not be acceptable to local communities.

We believe council's submission demonstrates that local councils are constrained in the degree to which they can facilitate urban development to accommodate anticipated population demands. Ensuring an adequate supply of urban zoned land is only part of this land supply picture, and a number of other factors clearly come into play in explaining the actual supply of constructed dwellings.

A comment is warranted regarding development contributions for essential urban infrastructure that are paid by developers but with costs being ultimately borne by home purchasers. It is likely that the additional costs associated with development contributions have added to the cost of new-release residential blocks, compared with previous generations of estates that had infrastructure subsidised by government. We also note that a number of proposals have been put forth by both the New South Wales state government and the federal government for removing development contributions and instead providing government grants conditional on councils streamlining major developments. Whilst, in theory, removing the requirement for developers to pay infrastructure contributions may reduce development costs, it is not clear that these savings will be passed on to purchasers in the short term, particularly during a period of high demand. Also, it is conceivable that such proposals, if poorly implemented, could inhibit rather than facilitate urban development.

The timely provision of urban infrastructure is necessary to ensure that development does not have adverse impacts on local communities or the financial position of local councils. This means that councils may not be able, in good conscience, to rezone land or approve developments for which the provision of infrastructure is contingent on certain arrangements, such as obtaining grants from state and federal governments. Administrative delays due to intergovernmental negotiations may further complicate the development process. Notwithstanding, the current arrangements for the funding of existing and future infrastructure are clearly imperfect and appear to be failing to adequately provide for local infrastructure needs. To be effective, any measures that are introduced by higher levels of government in

relation to this matter must be sympathetic to councils' need for a secure funding source for local infrastructure.

One of our councillors has requested that a number of additional points be conveyed to the committee with respect to housing affordability. It should be noted that these comments do not purport to represent the views of Ballina Shire Council and are the personal views of one of our councillors. I would therefore like to submit these comments for the committee's consideration.

CHAIR—Thanks, Mr Scott. I will ask Cheryl to collect that from you.

Mr Scott—Thank you. That is all we have to say as an opening statement.

CHAIR—Thank you both very much. May I start by asking a question about your housing affordability strategy, which I think you, Mr Kenk, said is due for completion around December of this year.

Mr Kenk—Yes, that is right.

CHAIR—How is council compiling that strategy? Is it a process of public consultation? Is it an internal working process?

Mr Kenk—At the moment, it is an internal working process with a view to developing a steering committee that will assist in looking at the recommendations of the strategy. There is something called the 'Ballina interagency', which is a working group of non-government organisations and government organisations that looks at social issues affecting the residents of the shire. One of the outcomes of this interagency group is that we will form a housing subcommittee, and this subcommittee will assist with the affordable housing strategy.

CHAIR—So it is not something that is being developed in consultation with the community; it is more an internal—

Mr Kenk—What we plan to do is to bring it to a level such that we have something to show to the community and then to engage the community.

CHAIR—Perhaps you could explain the aim of the strategy for the committee.

Mr Kenk—It is looking at options to increase the level of affordable housing stock in the Ballina shire. So that might look at ways of increasing home purchase or increasing the level of rental properties. A number of options may be recommended to council, which could include—and these would have to be subject to council's approval—allowing developers increased concessions on particular sites. It could be about increasing densities. It could be setting mandatory contributions. It may well be that council may want to look at buying property, buying land, developing the sites for housing and headleasing it to community housing providers.

CHAIR—What approach does council take to dealing with developers in terms of the diversity of dwellings being built in the Ballina shire?

Mr Scott—Mainly in new release areas, I suppose, is where we are looking at that. We look just through negotiation with the developers in preparing new plans when a new area is opened up. The typical process is that you go through a rezoning process, looking at the environmental constraints et cetera to determine what the best use of the land is. Once zoning has been allocated then typically we have prepared a development control plan which sets out things like density. So it is at that stage that council looks at the range of dwelling types and the location of those.

CHAIR—The word which has been used literally from one side of Australia to the other is a propensity for the market to want ‘McMansions’, which is not a turn of phrase that I am particularly fond of. Is that an issue in this particular area? Is that what the market is looking for? Is that what is being built?

Mr Scott—There is certainly a trend towards larger houses and the ABS stats indicate that, at a time when we have declining household sizes, we are having an increase in the size of dwellings. That is certainly the case at a local level as well as nationally.

CHAIR—I was struck, Mr Scott, by the irony of your remarks about delays in obtaining development consent due to state government streamlining measures. It seems slightly counterintuitive. Would you like to expand on that for the committee, please?

Mr Scott—I suppose that is just describing one of the large development areas in one of our localities, which had, as we talk about in the submission, some state government involvement in speeding up the development process and having the state government take the levers from local councils. Whilst that might have been introduced to somehow streamline development, it has done quite the opposite. In that particular case, the master plan process that was introduced there took over two years to get an approval after the land was already in the process of being subject to staged subdivision.

CHAIR—This is a process that started in 2003 and, if I read your submission correctly, ‘streamlining’ means that the minister is currently considering a part 3A application which was lodged in February of this year.

Mr Scott—Yes.

CHAIR—So we are still in the streamlined process and have been since 2003.

Mr Scott—That is right.

CHAIR—Thank you very much.

Senator HUTCHINS—On a few occasions in your submission you mention your shire is ageing and that is having some impact on how you approach housing, in particular the type of housing. You also mention labour supply because of its high cost. You also talk about how the average price of homes or properties has increased from \$178, 000 in 2001 to \$369,000 in 2006, a 107 per cent increase over five years. In your submission you mention a few times the type of dwellings that need to be approved, clearly because of your mentioning of ageing population. Is that a problem for residents and the council, or has it not happened yet? You said in your opening

statement this has not been approved by the council, so is it just your office's observations about what is happening?

Mr Kenk—Yes, it is fair to say that it is the office's view. Data from the 2006 census shows that the group that is increasing is the lone-person household. Going along with what you are saying about the ageing of the population, we have underoccupancy of our dwellings. If people are building—to use the chair's words—McMansions, they are only using part of the house or a third of the house.

Senator HUTCHINS—What the chair was saying was that we have heard evidence all over the country that developers do not want to develop one- or two-bedroom houses with one bathroom—they want four bedrooms and two bathrooms. Are you getting resistance from developers here along those lines?

Mr Kenk—I cannot recall any developer building a one-bedroom, one-bathroom dwelling in Ballina. Do you, Simon?

Mr Scott—No, I do not.

Senator HUTCHINS—Even though that is the demand you have here, essentially?

Mr Kenk—It is the demand that we see coming.

Mr Scott—We see that as being more the case in future, and there appears to be something of a mismatch. Most of the dwelling stock that is being constructed is of the larger type we were discussing before. I wonder whether to some extent the reason a lot of people want a larger dwelling is the resale value and the sense that at the appropriate time you can then sell that large dwelling and buy a smaller dwelling which is more appropriate to your needs as you age. However, there may be a mismatch there because of the fact that we do not actually have those smaller dwellings to move into.

Senator HUTCHINS—So there is a debate about design. I wonder if you could just expand briefly on the paragraph in your submission that says:

Dispute between landholders has stalled the development of another major urban growth area in Ballina Shire. The area was rezoned for residential purposes in 2002 and comprises over 80 hectares of land in a number of separate landholdings. Disagreements have occurred over the coordination and costs associated with the delivery of essential urban infrastructure and design issues affecting the development yields of the various parties.

Could you tell us what has gone on there so that we have a snapshot of a situation that is different to ones we have come across before?

Mr Scott—When we identify a new growth area it is often held by a number of different parties, usually as rural landholdings. The areas that we draw are based on environmental limitations. So it is not unusual for us to identify one single, broad area that is within a number of different landholdings. That is certainly what has happened in one case in particular, where we had eight landholders—council was one of those, but a minor one. The land was rezoned and, through the process of getting infrastructure provided to the site and considering development

applications, there has been conflict between the various landholders because of different financial capacities and time lines and, predominantly, infrastructure issues—where roads are going to go and when.

Senator HUTCHINS—And who was going to pay for them.

Mr Scott—Who is going to pay for them, that is right, and the implications of a road going in one location versus another to the yield of the remaining land. That certainly stalled that particular development area to such an extent that we have not had any development applications for an area of about 80 hectares of land which could be growing houses on it.

Senator HUTCHINS—You may wish to expand on this for us, but in the fourth or fifth last paragraph in your submission, you say:

No discussion of town planning would be complete ... without mention of the increasing complexity of the planning system and mounting requirements relating to threatened species protection, environmental health standards and urban design—

et cetera. At one stage in your submission you talk about global warming.

Mr Scott—I suppose the point there is talking about the fact that those are often pointed out as being issues which slow down the development process. However, from a local perspective we certainly appreciate that our local communities would not be very amenable to any proposals that would remove those community based standards for good environmental and urban design outcomes.

Senator HUTCHINS—It is just that you do specifically mention they are potential delays for development.

Mr Scott—I suppose it takes time, when you are looking at a rural block of land, to see whether or not it is an appropriate place to have houses on it. It does take a period of time. Our rule of thumb is that it typically takes two years to rezone a large future residential area. It takes time to go through the various assessments in terms of its environmental impact, social impact, urban design issues and the like. However, the intention of those is to get a better outcome than what might arise from a purely ad hoc approach.

Senator HUTCHINS—That was what was mentioned in Queensland this morning, two years development.

Senator COLBECK—That was the rezoning time. Is that just rezoning?

Mr Scott—That is just rezoning, yes.

Senator COLBECK—Bringing it to market is on top of that?

Mr Scott—It can be on top of that. Sometimes it depends on the developers' time lines too in terms of whether or not you can have a subdivision application as a part of that process. So there is nothing necessarily stopping that from occurring; it is just a matter of internal planning.

Senator COLBECK—Your submission makes note of the median price increase from \$178,000 to \$369,000 over five years from 2001 to 2006. What has been the movement in land prices in that period of time and what are the contributors to the land cost movements?

Mr Scott—The land price has been pretty much the same as that, very high increases in land costs. I suppose the contributing factors we talk about in our submission have been multiple. Some of those relate to local land supply, but clearly there are other broader factors at work such as finance and tax incentives and the like, which have probably all contributed to high land prices, and the other things affecting land supply that we discuss in our submission.

Senator COLBECK—So you do not have any specific median prices for a standard residential block, which may have gone from \$70,000 to \$140,000 or something of that nature? You do not have a rough—

Mr Scott—I do not have any figures for you, no. But, anecdotally, that has certainly been the case. We have areas that were developed and released—I cannot give you the specifics—and they would have doubled in that period of time, over that period of five or six years.

Senator COLBECK—Would you be able to get us some figures on that?

Mr Scott—Yes, I could find that for you.

Senator COLBECK—Take that on notice, obviously, and come back to us.

Mr Scott—Sure.

Senator COLBECK—The figures that you give us in respect of available affordable housing effectively show that nothing is available for those on very low incomes, nothing is available for those on low incomes and about 11 per cent of the stock would be available for someone on a moderate income. How do you classify those particular income levels in this local community?

Mr Kenk—In footnote 2 to the submission you will find the definitions of those particular points. You can see that the very low incomes group is below 50 per cent of the census median, which I alluded to. It spells it out there. Does that answer your question?

Senator COLBECK—Yes, thank you.

Senator TROOD—Mr Scott, ‘streamlining’ seems to have a different definition down here than from where I come from, and I am interested in that context whether the particular difficulties you have had with this development are unusual or whether they reflect a structural difficulty that your council has and perhaps other councils have in dealing with the state government on these planning issues.

Mr Scott—I think it is more a structural thing, personally. It is just the fact that Sydney is 800 or so kilometres away from us and there are administrative burdens on gathering the information that is required. I suppose the priorities are different to the different organisations involved. That is all I can imagine that it is. It is simply the fact that they are so far away and they do not have a good appreciation of the issues as they affect us on the ground.

Senator TROOD—Was it an unusually complex development that required unusually complex matters to be resolved?

Mr Scott—No. It was a large development area but, no, I would not say so. There is no simple development application, of course.

Senator TROOD—Allowing that they are all different from one another, I imagine that some are more difficult than others and perhaps that creates challenges for governments at any level that would not be usual necessarily in relation to other development activities.

Mr Scott—It was pretty straightforward.

Senator TROOD—In that context then, what do you take from that experience or other experiences that you have had with regard to the distribution of development powers between council and state government—or, indeed, federal government where that might be relevant—as to the best and most efficient way to deal with these challenges that you are facing in this community? Is there a better distribution of power that might be appropriate?

Mr Scott—The distribution of powers in relation to planning in New South Wales has clearly been shifting in the last few years. Whether that has been to the detriment or to the benefit of development outcomes that benefit the local community is unclear from my perspective. Clearly, in some instances we have had here it has added to some of the development time lines. Whether or not it is a better outcome at the end of the day once the land is developed is yet to be seen. I would have thought that having officers, whether state or local government, closer to the ground would put them in a better position to make an assessment of the relevant matters.

Senator TROOD—Has it also affected the costs of development?

Mr Scott—I am not sure of that, Senator. I suppose the time line adds to cost, in a sense. There may be some truth in that.

Senator TROOD—So you have not conducted your professional activities and said to your colleagues: ‘I wish we could do this particular dimension of this activity here. It would save us an enormous amount of time. There are two or three things that might easily assist.’ We are looking for solutions to the problems that we find around the country, of course. I am interested in whether or not, in the context of New South Wales planning, there are two or three things that you think might make an enormous difference to the ease with which you could do these things and perhaps to the cost of them.

Mr Scott—I certainly think that, if the Ballina Shire Council had continued to have carriage of that particular development that was referred to the minister at that time, development would have proceeded in a more timely manner. There is no doubt about that.

Senator TROOD—Perhaps the appropriate question is: why did it go to the minister? Did it reach a threshold where that was required in planning?

Mr Scott—The introduction of a state environmental planning policy for coastal protection was the trigger for large residential developments within the coastal zone. New South Wales was

subject to the preparation of a master plan which was to be approved by the minister. That was that particular instance. That then flowed on to new processes for part 3A application. I should note that there was a period of two years in that broader time line of eight years within which, conceivably, the developers had the master plan approval and could have proceeded with development applications to advance the development, but they did not do that.

Senator TROOD—Would that have been to the council?

Mr Scott—That would have been to the council.

Senator TROOD—You could have dealt with that particular aspect had they chosen to do so?

Mr Scott—That is right.

Senator TROOD—But they did not?

Mr Scott—They did not. And the land changed hands during that period as well.

Senator TROOD—On another dimension is the matter of infrastructure costs. Your submission on this was interesting. Developers increasingly seem to be expected to assume responsibilities for infrastructure costs, and the alternative could be for governments—local governments perhaps—to assume some of the cost. In your remarks, you seem to be sceptical that that would necessarily be a better way to proceed. Perhaps I have misunderstood what you were saying. In your opening statement, I thought you said that this would not necessarily improve the speed with which planning could take place, cost or affordability.

Mr Scott—The comments were focusing on cost issues. I suppose it is not clear to our minds necessarily that removing development contribution requirements on developers would result in those cost savings being passed on to the landholders—the ultimate buyers of the property—particularly when demand is so high. I would have thought that, as a developer, you would be releasing land onto the market and you would sell it at whatever the market would bear and not necessarily discount it. That is what those comments are about.

Senator TROOD—Are you expressing a certain scepticism about the behaviour of developers in this context?

Mr Scott—It is unclear whether or not those costs will be passed on. That is right. Whatever the solutions are, I suppose some of the options being put forward are for a state or federal bucket of money for local councils. There is a little bit of uncertainty there, at a local level, if we are rezoning land or approving developments which would only be acceptable if certain pieces of essential infrastructure were provided. So, in that sense, we might come up to a bit of a road block in a development process if the development cannot proceed without a secure source of funding for that infrastructure. The comments we were focusing on were that, whatever arrangements are made at state or federal level for infrastructure, that funding source be secure so that council can proceed in a timely manner, with confidence that that infrastructure can be provided.

Senator TROOD—You are concerned about the ease with which you could get approval for any activity you might wish to undertake if you had to go to another level of government.

Mr Scott—To pay for it. Yes, that is right.

Mr Kenk—If we are not successful in receiving any grants from the state or federal government, who will have to pay ultimately for the cost of the infrastructure? I cannot speak for the councils, but you can hear them say that this is another cost-shifting exercise to be borne by council.

Senator TROOD—The federal government takes responsibility. It is a cost-shifting exercise to the federal government, isn't it? This is a rather unusual way for costs to be shifting, I know!

Mr Kenk—One of the things that we read about was a proposal to have the competitive process where councils would apply for those funds. We were concerned, if we applied for those funds to build the infrastructure and were not successful, about who will pay.

Mr Scott—There is the intervening period of applying for the funding and then having that considered. At the same time, we have rezoning or development approval processes running, and the potential to stall those is perhaps an issue.

Senator TROOD—I was going to say that. While you wait for your application to be heard there may be alternative courses of action that you might wish to pursue. If your application falls over, then you begin again, presumably, or find an alternative source of activity. Is that right?

Mr Scott—That is the concern, yes.

Senator TROOD—I see. In your opening remarks, you said that you had 400 hectares of land available for development. I was not quite clear what you meant by that. Is that land within the shire or does the council own it for development?

Mr Scott—That is within the shire under various landholdings.

Senator TROOD—Does it include the 80 hectares that my colleague Senator Hutchins was talking about?

Mr Scott—That is right.

Senator TROOD—So, hopefully, part of the 400 hectares is being developed.

Mr Scott—That is right—once the part 3A applications are approved.

Senator TROOD—To your knowledge, is there any acquisition taking place to expand on that available land for further development?

Mr Scott—In that locality specifically, do you mean?

Senator TROOD—Anywhere.

Mr Scott—Council has identified a large growth area beyond the 400 hectares. Council has identified a broader area as having potential for urban development. We are currently considering the rezoning process on that bit of land.

CHAIR—Is that affected by SEPP 75 as well?

Mr Scott—No, that is not.

Senator TROOD—Council is not intending to acquire that. It is in private hands, isn't it?

Mr Scott—It is in private hands. There are a number of different landholders.

Senator COLBECK—I just want to go back to the issue of contributions. We had an interesting conversation with the UDIA on the Gold Coast this morning about the impact of the development charges. I understand completely that, from a local government perspective, you need to know where the money is coming from—so I am not trying to put anything on the table there. However, I recall your comments that it might not necessarily work its way through to prices in the short term. That reflects what was said to us by the UDIA this morning, which was that development charges have increased by about 500 per cent over the last five years and are now just starting to feed into prices. While their removal might not necessarily reduce prices now, because that is where the market is at this point in time, it might speed up the supply process because developers were not bringing land on line until it was economically feasible to do so. All of these additional costs were contributing to the cost of bringing the land on line. I can understand in the converse that, if you were to take it off the market at a certain point, it would become cheaper over time to develop new land and therefore, perhaps in a corresponding time frame—in the time that it takes to start developing new estate land—it may have an impact. But it is not a short-term thing, and it is one element in the overall cost.

Mr Scott—I agree with that.

Senator COLBECK—Has there been much movement in your local section 94 charges over the last five years? The Gold Coast City Council in Queensland was the first one to begin this process, and its impact is just starting to bleed into the market in south-east Queensland. Has there been much movement in your local charges over 2001-05, which are the years you have given us the figures for?

Mr Scott—I am afraid I do not have the specifics on that. I do not deal with development contributions.

Senator COLBECK—You can take that on notice and the council can come back to us at a later date.

Mr Scott—I understand that most of our contributions plans are a number of years old and have only been indexed to inflation. So I would not anticipate that they have changed much.

Senator COLBECK—That gives me an indication. Another matter I want to talk about follows on from a discussion we had this morning with the Tweed Shire Council. They were talking about—

CHAIR—It was with Mr Spragg, the social planner from the Tweed Shire Council.

Senator COLBECK—They were talking about the potential impact of restrictions being put on the rate of increase of section 94 contributions and the impact of rate capping. Essentially, this has you in a bit of a pincer movement: you are going to be restricted in getting revenue from one part of the equation and the rate capping prevents you from getting it from another. Our assessment was that section 94 came out of the fact that rate capping prevented councils from raising revenues and that councils had found a way of getting it from somewhere else. Can you comment on where that places the council and what restriction that might have on the council's capacity to raise revenue?

Mr Scott—I would concur with those statements made by the officer at the Tweed council. That certainly is the experience of Ballina Shire Council as well. It is that issue of a secure source of funding for local infrastructure. Council was constrained in its income by rate caps. But, yes, that would certainly be the case.

Senator HUTCHINS—So council is not considering applying to increase rates this year?

Mr Scott—I am not aware of that.

Senator HUTCHINS—I am just joking—I know that there is an election. A very brave council had a recommendation from the Queensland Competition Authority saying that that council did not apply for as much money as it should have. This was just after it had just got elected of course.

Mr Scott—I believe our local council rates costs per lot are lower than other councils in our area as well.

Senator HUTCHINS—Thank you.

CHAIR—In the submission of the Northern Rivers Social Development Council there is an allusion to the rate of land release that says:

Rezoning of land for residential development does not guarantee the release of this land for development. In many cases developers are unwilling to release significant parcels of new land in order to reduce overall land prices. It is often more beneficial for developers to 'warehouse' residentially zoned land for significant periods of time progressively releasing small parcels in order to maintain a higher price.

Is that an issue in this shire?

Mr Scott—I would say there have been instances of that occurring, yes.

CHAIR—Does your council address that in any way? For example, some councils have spoken to us about not so much ‘build it or lose it’ but an arrangement whereby action is required to be taken to release land within a particular period of time.

Mr Scott—Such as sunset clauses. Council has not pursued in that particular approach, no.

Senator COLBECK—Do you have any figures on the levels of public housing in the shire?

Mr Kenk—I do, but not here with me.

Senator COLBECK—On notice, could you provide us with information on the amount of public housing that is in the region; the movement in those numbers over five years, if that is available to you, to give us a sense of where that element of the market is going; and the target market for that particular type of housing and whether it is becoming, say, more targeted towards welfare-type housing than broader public housing.

CHAIR—Mr Kenk and Mr Scott, I thank you both very much for appearing on behalf of Ballina Shire Council and for providing a submission. There are a couple of issues on which you have indicated you can provide the committee with further information, and we would be very grateful if you would assist us with that. We appreciate your time this afternoon.

[2.28 pm]

DAVIES, Mr Tony, Chief Executive Officer, Northern Rivers Social Development Council

WILSON, Mr Chris, Manager, Community Services and Development, Northern Rivers Social Development Council

CHAIR—Good afternoon, gentlemen. Thank you very much for the submission that the social development council has made to the inquiry. We are very grateful for that. I invite you to make an opening statement, and we will go to questions at the end of that.

Mr Davies—Firstly, we would like to thank the committee for coming to the region. It is good to see a recognition of the housing affordability issues in the region. They are something that the social development council and indeed many local governments across the region have been looking at for quite some time. Certainly since 1997 it has been identified as a significant issue. I also acknowledge the Bundjalung people as the traditional custodians of this land.

We would like to start by noting that the focus of this inquiry is on affordable homeownership, and that is a very important issue across this region and across the country. But it is important to put that in the context of the broader issue of housing affordability and, particularly, access to social housing, public housing and affordable rental for people on low to moderate incomes. I note from the senators' questions that it appears that you are looking at those issues as well, and we thank you for doing that. We do not feel that by proceeding just on homeownership the inquiry will actually address the overall issue of housing affordability.

On the question asked previously about the proportion of public housing in this region, we do not have statistics with us for the Ballina local government area but across the Northern Rivers, which stretches from the Clarence to the border, it is roughly 11 per cent of all rental housing. That compares to a statewide average of 15 per cent. That is quite a significant drop. To the best of our knowledge there has been a drop nationally in the funding going into social housing, and that has contributed to the difficulties in private rental affordability in regions such as this and, indeed, affordable homeownership. We are also particularly concerned about the fact that most households in housing stress are private renters, and the most recent research does indicate that the private rental market is going to be constrained significantly in the near future.

The other thing that has concerned us in listening to the policy initiatives announced at national and state levels recently is that there has been a focus on housing affordability in metropolitan centres. That is worrying for areas such as the North Coast of New South Wales where the housing affordability problems are actually worse than in many metropolitan areas. You have obviously heard from Tweed Shire Council earlier today, but, in somewhere like the Tweed, average rentals are higher than Sydney rentals. Yet incomes in that region are around 60 to 65 per cent of Sydney incomes. So that really puts the squeeze on people in that region.

Overall, we would agree with the need to increase the supply of housing stock that is affordable, and we are concerned that the current taxation and subsidy framework within private development does seem to favour high-end development. We have an affordable housing

development project which has been funded for two years in this region by the state government through the Area Assistance Scheme and, as part of that project, we have discussed with a number of developers in this region the types of incentives they would like to see—we have asked them what we could do to help them focus on affordable housing development. They all support the concept. As locals, many of them are concerned about the housing affordability issues in the region. Their children cannot afford to live here and to start in low-income jobs. But the market favours high-end development. They need to follow the margin. So, at the moment, we need to look at how the capital gains tax structure and negative gearing can be refocused and targeted towards development at the more affordable end of the spectrum. That might be through greater tax concessions for housing developed and rented below market rates, some capital gains tax exemptions or a higher level exemption for housing that is sold at a lower level.

I turn now to the terms of reference. On the fees and charges imposed by state and territory governments: we would agree with the council representatives who appeared before us that we do not believe that an abolition of developer fees will automatically lead to an immediate reduction in prices. We do need to look at how the provision of essential infrastructure by local government is funded. It is very important, for example, that the new Residential Infrastructure Fund that the new government has proposed will be targeted appropriately to local government to encourage affordable housing development in areas that are facing acute housing stress, such as the Northern Rivers. We are not sure that a competitive process to access those funds would be the way to go. We think it should be targeted according to need, and the statistical evidence out there is available to identify those areas.

The availability of land has been covered very well by the representatives of the Ballina Shire Council. The other comment we would make is that it is very important that land be released in appropriate locations, particularly for people on low incomes. Access to affordable land that is far from education, jobs and services is actually of no value. In the Northern Rivers there is affordable land in the far western reaches of this region, but unless we can get significant industry into those regions it is not very useful to people on low incomes.

In terms of assistance for first home owners, we would say that in the absence of increased supply it is not effective. The First Home Owner Grant was introduced in 2000 and was a very effective policy initiative to overcome a temporary downturn in the housing market. What has now happened is that that grant has been priced into the overall price of housing stock in this country. Anything which targets a broad number of home buyers will actually inflate the price and could be more appropriately used if it were targeted. We would particularly like to see it targeted by income level or used for specific initiatives, in particular initiatives that support access to homeownership amongst Indigenous communities. In discussions we have had with Aboriginal service providers and elders in this region, that is the No. 1 need that they would see for their communities.

In terms of the role of all levels of government, I think there is a very important role for the Commonwealth in providing leadership and also funding for affordable housing development. I think, though, what we need at this point is clarification and appropriate targeting of the new initiatives. There have been some very positive initiatives announced in recent times, but we need to ensure that they are targeted to areas of high need and to groups in high housing need. I would also comment that the planning system at state level really does need to be used properly and appropriately to support affordable housing development, and we are not seeing that

leadership by the state government in New South Wales. There are some very good initiatives in other areas—in the ACT and in some of the larger states such as Victoria—where they are using the planning system to encourage affordable housing development, and we would like to see that occur across the country.

I think we need to give a vote of thanks to local government in this region. Housing affordability has not traditionally been viewed as an issue for local governments up here, but in recent years they have been extraordinarily proactive. Every local government in this region—certainly coastal councils and the first tranche of councils inland—has done something to address housing affordability. Lismore council and Clarence council—all councils—are working on affordable housing strategies. They need funding from the federal government and support from state government through the planning system and the regulatory system to do that. In our view local government is well ahead of state government at this stage in this state. In terms of effective government intervention in the housing sector—including planning, and we have discussed that—we do not actually see that industrial relations laws have a significant impact. I also think enough has been said by many other commentators about financial institutions.

On the contribution of homeownership to retirement incomes, the issue of oversized houses and inappropriate housing stock in this region has been raised. The other issue for the future of government is that the pension system, the federal income support system for older people, is premised on unencumbered homeownership. If we move to a housing environment in which people do not ever move into homeownership, we need to look at the level of support provided to older Australians through the social security system. Thank you.

CHAIR—Thanks, Mr Davies. Mr Wilson, do you wish to add anything?

Mr Wilson—Not at this stage, no.

CHAIR—Thank you very much.

Senator HUTCHINS—You were critical of the New South Wales government about the planning system in relation to encouraging affordable housing. You nominated the ACT, and I was not sure which other government you nominated.

Mr Davies—We have seen good initiatives from the Victorian and South Australian state governments.

Senator HUTCHINS—Would you expand on what you see as good initiatives by those governments as opposed to what New South Wales is not doing?

Mr Davies—Put simply, they have clarified what they are going to do; whereas in New South Wales we have a state plan which gives a goal of increasing access to affordable housing, but we actually do not have any clear direction given to local government around how that will be done. In some of the other jurisdictions, they will mandate that a specific percentage of new land release shall be devoted to affordable housing. There is also very significant funding allocated to support the development of affordable rental housing and social housing by state and territory governments.

Senator HUTCHINS—Is that in particular along the coastal strip of New South Wales, or is that the whole of the state? You can only talk about the Northern Rivers; would that be correct? I am not saying that you can or you cannot.

Mr Davies—In terms of us wanting to see a percentage of new land release devoted to affordable housing, we would certainly like that to be in areas where there is high housing demand, so it would be all of coastal New South Wales and in key inland centres as well.

Senator HUTCHINS—Fair enough. Does your council have any evidence where the organisations that you represent are having to provide assistance to people with mortgages to pay their mortgage each week or their rent? Is it worse than it was 12 months ago or two years ago?

Mr Davies—The organisations such as neighbourhood centres across the region have reported that there has been a change in clientele or in the character of person that comes in to receive material assistance—that is, support to buy food and other items essential for living. They are reporting to us that they are finding firstly that they are getting pensioners starting to come in and ask for support, and they are finding that those people are quite distressed by having to come in and receive support. And that is not just on the coast; that is inland in places like Casino, which is traditionally seen as a very affordable area, and Lismore. Also there are increasing numbers of families, particularly sole parents having to look after children, and people who are working. In the past, it tended to be people who were not in the workforce, people who were, I guess, your more traditional client of the welfare sector.

Also, there is a very significant proportion of young people who have difficulties accessing housing. We run the only regional service for young people who are at risk of homelessness or who are homeless. It is funded by the federal government through the Reconnect program. Last financial year, there was a 30 per cent increase in new referrals to that program, so the client load increased by 30 per cent. The best estimate we can come up with is that across the Northern Rivers there are 500 young people that are homeless. In some work we did with the Tweed interagency late last year, they estimated that there were roughly 90 young people—that is people aged 21 or less—who were homeless, just in the Tweed local government area. I do not know if there is anything you want to add to that, Chris.

Mr Wilson—I will just add that we are also getting these reports from the various religious charity groups who provide emergency assistance. They also report a similar sort of clientele that is changing, I suppose, to a slightly more affluent sort of group than in previous years.

CHAIR—In your submission, you refer on page 4 to the proposal for the affordable housing development agency in the Northern Rivers. How advanced is that proposal?

Mr Davies—At this stage, it is not very advanced because we need some clarity around the policy framework both federally and at state level about how you might source funding to this. What we would say is that in, say, the ACT there is the Canberra housing company, which has an effective model for developing affordable housing stock. In Brisbane, there is the Brisbane Housing Company, which the current Prime Minister has referred to as a very effective model. In Sydney, there are a couple of examples of affordable housing development agencies, such as City West, which is in the Pyrmont area. They are very large organisations and they are capable of expanding the supply of affordable rental housing. What we do not have is an agency like that

in a regional part of this country. That goes back the point we raised earlier about the city centric focus of some of the policy initiatives. We feel there is a need to develop and pilot models such as this in a regional area, a growing area—and, as you would be aware, this is the fastest growing region of New South Wales—to expand the supply of affordable housing.

CHAIR—Let me point you to the Argyle Community Housing corporation, as I think it is called. It is regional, because it goes from south-western Sydney to beyond Yass and Queanbeyan and that part of New South Wales, which has nothing like the growth rates you are experiencing and is different in a lot of ways. I understand that. But the evidence which was given by Brian Murnane, who is the executive manager of Argyle Community Housing, at our Campbelltown hearing, on this and some of their initiatives in property purchasing, was really very interesting and I think might be useful for your organisation and your proposals. When you say you are exploring options for state and federal funding, have you actually spoken to agencies at either level?

Mr Davies—Yes.

CHAIR—And what are their responses at this point?

Mr Davies—There is interest. I think at state level there is a small pool of funding through the innovations fund which can be used to support some affordable housing development, and we would certainly be looking at encouraging community housing providers in the region and helping them to apply for funding through that. I do believe that there is interest at federal level, but I think there is still some negotiation and some clarification required around some of the initiatives like the National Affordable Rental Initiative before we can come to a decision—or they can.

CHAIR—That is the one which proposes to build 50,000 rental dwellings over five years with returns, rebates I suppose, to developers from federal and state governments?

Mr Davies—Yes.

CHAIR—Is it your understanding that an organisation like yours makes applications into that process as well?

Mr Davies—At this stage we are not clear. The initial information that is on the public record at this stage is that the larger organisations will be targeted through that scheme. That is I guess part of our concern around focus on metropolitan areas.

CHAIR—I understand that. The Argyle community housing group has an initiative, which I am just trying to find the name of, so we might come back to that in a second. I think it could be quite useful. The other question I want to ask you about in your submission relates to the observations you make on the delay on land release by developers. You heard me ask the council about that. What is your experience with regard to that?

Mr Davies—What we put in our submission is what has been reported to us in discussions with council officers across the region. I do want to make a point: we are not here to criticise developers. The private development industry has to make a profit; they are not in the business

of giving things away. But the way the system is structured, it does not encourage a reduction in price or low-cost developments. You need to look at how you can tweak the planning and taxation system to put the incentives in there. Obviously you cannot expect someone to release a large amount of land and deflate the price. The investment in development at putting the infrastructure in is not worth doing from their perspective. It is better to flow it out and maintain a price.

CHAIR—I understand. At the top of page 4 of your submission you say that ‘waiting times are reported to be up to a meaningless 18 years’ in relation to public housing. Is that a formal state government statistic about the waiting time for public housing in the Northern Rivers?

Mr Davies—It is not a formal government statistic. I do not think you would find those statistics on the record.

CHAIR—So how do you derive that?

Mr Davies—We derive that through discussions within the sector with people who work closely with those who are on the public housing waiting list.

CHAIR—And just to complete the reference that I was making before: in anticipation of growth in Western Sydney particularly and heading south, as I said before, the Argyle group, with a number of other large housing organisations, have formed a development company which they call Blue Chip. It covers the metropolitan area of Sydney, the Macarthur, down to Queanbeyan, then into the Shoalhaven and so on. So I think there are some interesting initiatives there that you might want to look at in conjunction with the work you are already doing.

Mr Davies—I think that is obviously something to follow up.

CHAIR—You might get them to head north.

Mr Davies—We are aware of Argyle and I think we will be talking to them.

CHAIR—They do good stuff.

Mr Davies—There are other community housing providers in the region that are interested too.

CHAIR—Good.

Mr Davies—I do want to say: with those waiting lists, while they are not based on any formal published information, they are quite well grounded. I think those statements are reliable for some forms of public housing. If you are on the priority list for public housing and you are in critical need, then you will not be waiting that amount of time. But if you are eligible, that is how long you will wait.

CHAIR—And, without wishing to prolong this discussion, one of the reasons for that which we have gleaned in the past couple of weeks is that profile of public housing tenancy has changed so markedly in the last 10 to 15 years, perhaps even 20—what we in New South Wales

would call the post Richmond report, de-institutionalisation for starters, and then dealing with the elderly, which you have already referred to in another context, and some people in the youth cohort who can find no other housing.

Mr Davies—Yes.

Senator TROOD—This agency proposal looks well developed and very interesting, but I am naturally sceptical about the proliferation of agencies and new levels of activity to try to solve problems. I guess what I would like to hear from you is the argument for this. Is it a failure of local government? Is it an argument about increasing need? Is it an argument about an absence of any effective coordinating bodies? Or is it all of those things? Perhaps you could outline to me the argument for this in relation to the Northern Rivers.

Mr Davies—Firstly, it is not a failure of local government. Local government are trying to do this on a small scale. For example, in the Clarence Valley they are allocating land for affordable housing development. I think it is a natural consequence of the direction over the last 35 years in public housing, which has moved away from a broad-based form of housing to support people on low to moderate incomes into a residual form of housing for those who are unable to ever compete in the private market, if you like, for housing.

Public housing now forms a very small part of the overall housing market—under five per cent of all housing and 15 per cent of all rental housing stock across the state, and I think it is a similar figure nationally. It now houses those people who have the very highest level of need—that is, people with disabilities, people with very low incomes and older people on low incomes. It is no longer a broad based housing provider. What we have found with the increase in house prices and the contraction of available rental stock is that people on low to moderate incomes are now facing great difficulty accessing affordable, accessible housing. People on low to moderate incomes are the engine room of the economy and particularly the engine room of the regional economy. This is an area where tourism and hospitality are two of the major employment providers and where we also have strong agricultural and retail sectors—all areas where people do not earn a lot of money. Those people are now finding it very, very hard to live close to work.

Think of Byron Bay: it is a community where there are some extraordinarily rich people, but the average income of Byron shire is around 60 per cent of the New South Wales average. Public housing stock in Byron Bay is three per cent of rental stock; it is one of the lowest LGA figures in the state. The economy of that LGA is absolutely dependent on low-priced labour particularly in the hospitality sector and the arts but across the whole economy. People cannot afford to live in Byron shire and work there, so there is incredible difficulty in attracting and retaining the type of young, entrepreneurial, upwardly mobile workers that that economy requires. It is an issue that Byron council are trying to address through their affordable housing strategy, where they are trying to work with developers to develop affordable rental housing. Many workers in that economy—and it is not that different for Tweed or Lismore—need affordable rental accommodation to have somewhere secure and safe to live and also to be able to generate the excess income necessary to save a deposit and move into home ownership. There is a demand, and in our view that demand goes to the social and economic development of a region such as this.

The type of housing that we would like to see developed is rental housing which is retained within either a not-for-profit organisation or potentially owned by a consortium of regional councils that is available to people who meet income criteria—basically the workers that this locality requires—and for whom this housing stock is just not available. In some ways it is a return to the situation post World War II, where there was an acute shortage of housing for workers. That is what generated the initial investment by government in public housing; it was because there was a crisis such as this. There was a shortage of housing stock fundamentally, and an initiative was brought in by government—and indeed supported by governments of both persuasions—that over a period of 20 years or so addressed that demand for affordable housing. The time has come to go to that. In the past it was public housing and government run housing. I think at this point in time the role of government in the supply of housing is clearly recognised as support for those who are the most disadvantaged and most in need, so there is a role for not-for-profit agencies and community housing providers.

Would this be another organisation; would this be another quango, if you like? We believe that existing organisations could do that. There are community housing providers in the region already. There is the Argyle Community Housing Association. It is really supporting a new direction for community housing providers. North Coast Community Housing manages 500 properties already. It is an experienced housing manager. Argyle and some of the others, such as St George, are very experienced, so it is expanding their business.

Senator TROOD—This proposal covers the whole of the Northern Rivers area. Is there at the moment a degree of cooperation amongst the councils in relation to this problem? If there is not, do you think that might be a constructive contribution to try to address the problem?

Mr Davies—At this stage the councils, certainly the community services and their planning officers, do collaborate quite effectively informally, but there is no incentive at this point or no reason for councils to try and do something collectively because there is no framework and no policy guidance to do so. If we were able to say to councils, ‘Look, there is an entity here that can work with you to develop affordable housing in your LGA and it is an entity that is large enough to generate economies of scale,’ then I think they would collaborate. We have discussed this with general managers of councils. They like the idea, but at this point they cannot commit to something until they know that it is actually going to deliver housing.

Senator COLBECK—You mention in your submission, and obviously raise it as a very valid concern, the rental prices in this region in comparison to Sydney. What sort of base did that come off?

Mr Davies—I guess you are asking about the historical trend.

Senator COLBECK—Yes, we heard the median house price in 2001 in Ballina shire was about \$178,000 and it had gone up to \$369,000 in 2006, so I wanted to get a historical sense of the rate and the movement.

Mr Davies—We do not have trend data on rents but we could certainly take that on notice and provide it to you. I would comment that there is a board member of the Real Estate Institute of New South Wales in Lismore, who is very supportive of our project. He advised us a year ago that house prices in Lismore, which has traditionally been seen as a more affordable location,

increased on average 16 per cent per year for the five years to 2007. We cannot comment on rents at this point.

Senator COLBECK—Still looking at rents, have you seen any particular market behaviours? We had representation from a chap yesterday in Brisbane whose rent had been put up by 20 per cent, for example, and who was facing another rise of that nature. Some comments on the market behaviour in respect of rental prices over recent times would be useful.

Mr Davies—The anecdotal information that comes back to us through participation in interagency meetings and liaison with the other services is that because of the very low vacancy rate, which is one per cent across this region, landlords are able to pick and choose their tenants. So the more vulnerable tenants, those that are more likely to be in housing need, are passed over in favour of the more reliable higher income earners. What is also being reported to us is that when a more affordable house becomes available for rental in perhaps a less desirable area, which in the past would have been accessible by clients of some of the crisis services in this region, now they are not available. That means that people need to be accommodated in caravan parks.

Again, we have had anecdotal accounts that caravan park accommodation has gone up in price and that it is actually very hard to accommodate people. Take, for example, a woman with a child escaping domestic violence. In the past you could have put them up in a caravan park. Now you cannot. Or, if you can, they will be paying \$180 or \$190 a week. And in this region, in the Tweed, for example, there has been a massive reduction in the availability of caravan park and mobile home park accommodation. So, again, that places pressure on the private rental market.

Senator COLBECK—You mentioned the First Home Owner Grant essentially now being built into the market. We have had some discussion at previous hearings on the first home saver account deposit scheme being proposed by the government. Would it be your perspective that, in time, the additional funds that are available to first home purchasers through that process could also again get built into the market?

Mr Davies—Any demand-side initiative in the absence of increased supply is likely to increase price. Having said that, we do not discourage government from assisting people; in particular, we encourage them to target that assistance to people who are lower income earners, to help them access homeownership. We would like to see that scheme, if it were to continue, to be targeted more, and we would like the government to look at what additional schemes could be provided to support entry to homeownership by very vulnerable groups.

Senator COLBECK—So your comments on that would effectively be similar to the ones that you made in respect of the First Home Owners Scheme: target assistance by income level and perhaps a couple of other criterion?

Mr Davies—Yes.

Senator COLBECK—With the low vacancy rates—and obviously that is having a significant impact on demand—have you seen the impact of things like rent bidding as part of the process in this region?

Mr Davies—We get anecdotal accounts of that. Certainly, the media has, for quite some time now, been reporting instances of that. It is not possible to comment on how widespread that is; all we can say is that it is happening. It is not something that was reported in this region 1½ or two years ago.

Senator COLBECK—Do you have any comment on it as a practice and on how it might be managed?

Mr Davies—I think that the only way to manage it is to address supply. I do not think trying an overly regulatory approach would actually work; there would be problems of enforcement and compliance costs. I think that it is an argument for investing in affordable rental housing. That is where the demand is and you need to look at policy and funded initiatives that address that specific market.

CHAIR—Gentlemen, thank you very much for appearing here this afternoon and for your submission. As we said, we appreciate the assistance you have given to our inquiry. Thank you.

[3.09 pm]

COSTELLO, Mr Glenn William, Chairman of the Board, Ballina Chamber of Commerce and Industry Inc.

HUEGILL, Mrs Clarissa, Board Member, Ballina Chamber of Commerce and Industry Inc.

MARRIOTT, Mr Bryan William James, Secretary/Treasurer, Ballina Chamber of Commerce and Industry Inc.

CHAIR—Welcome. Thank you for attending our inquiry this afternoon, representing the Ballina Chamber of Commerce and Industry. I now invite you to make an opening statement and then, as is our normal process, we will go to questions.

Mr Costello—As far as I am concerned, we are happy that the chamber has been invited along here today. I think Bryan Marriott, our treasurer-secretary, has a good statement to make. Clarissa obviously has as well. The only thing I would like to say is that, from the perspective of not necessarily the chamber but looking at the broader aspect of Ballina, one of the areas that I personally can see that stands out is the nonuse of the villages around Ballina for affordable housing. When I say villages, you probably would not be aware of the area that the Ballina shire covers, but we have a large village, as in Alstonville, which has Wollongbar connected to it. We also have smaller villages such as Broadwater and various other ones that, from my point of view anyway, are areas we could utilise; the facilities are already there. We could grow those smaller villages so that they have a bigger input towards Ballina overall.

We are fortunate that, at the moment, the Ballina chamber has 220 members. Alstonville has just started its chamber up in the last 12 months and has about 50 members. Lennox Head has been going for a number of years and has about 50 members as well. So we are an area that does respond to the needs of businesspeople having chambers. We also think that even the voice of small villages around the area could help us. I am sure we have members, but what I am saying is that to me those village areas are potential for growth, as long as we are out of the possible flood type zonings and so on. But I do understand that Wardell has land that is state government owned, and that could be opened up. The sewerage facilities are there to be utilised and so on.

CHAIR—Thank you. I am familiar with the villages so I know what you are talking about. Mrs Huegill or Mr Marriott, are there any comments you would like to make?

Mrs Huegill—I would like to add to what Glenn said. I think there are ample affordable areas in the area but they are not accessible to people who need affordable housing.

CHAIR—In terms of transport?

Mrs Huegill—Yes, in terms of transport. Wardell is the obvious place for there to be affordable housing, but people who need to live there would not be able to get into Ballina because there is no transport.

CHAIR—Mr Marriott, is there anything you would like to add?

Mr Marriott—My background is in accounting and financial consulting, and I have been involved with property development for a long period of time so I am reasonably familiar with the cost of development to the stage of having it on the market, and that makes a big difference to the final price, of course, in relation to whether or not housing is affordable. I have some figures that we can go through at some stage and discuss those and work on to the cost of housing and how we can get people into those houses.

CHAIR—I would be disappointed if we had an accountant who did not have figures we could go through, so that is a very good thing. I will start by asking whether the chamber, in view of the perspective you have put here this afternoon, has approached local council about opening up and looking at land in the sorts of areas you have been talking about, in the village areas.

Mr Costello—At this stage we have not. Our focus from the chamber is obviously towards the business sector more than towards the housing sector. We tend to respond to the needs of our members. Because this has now come up, I have made a couple of inquiries through the council regarding these sorts of areas. In my work scenario I do travel this area and outside the area—I might get the towns mixed up but I do know where I am going when I get there—but at the end of the day, whether it is here in Ballina, in Lismore or right up and down the coast, there are a lot of village areas that could certainly be utilised. As far as any further involvement from the chamber's point of view, we have not really gone into any depth regarding housing.

CHAIR—See what your plans are after the annual general meeting.

Mr Costello—If I am still around!

CHAIR—Indeed.

Mr Marriott—Glenn and I are both on the Economic Development Unit board, and we have been in discussions over the last three years with council in relation to the new LEP that is in the process of being put in place, replacing one that is, say, 20 years old. Hopefully this one will sit there for the next 25 years. We have certainly been discussing the broader shire issue of release of land, mainly in an employment sense rather than in a housing sense—so industrial land particularly.

CHAIR—Do you mean land for industrial development?

Mr Marriott—That is right—employment land.

CHAIR—That leads me to another question. We have had the opportunity to visit a range of places around Australia so far—Karratha being one, and then the Gold Coast and Brisbane this morning and yesterday. One issue that has been raised in different contexts, I must say, is the capacity of business to attract workers particularly in the low- to middle-income earning brackets when there is nowhere affordable for the workers to live and certainly no capacity for them to look forward to the opportunity of home purchase when they make a significant relocation to a community. Have your business members raised that with you as an issue?

Mrs Huegill—Probably the converse: because it is such a desirable area, we may well have an oversupply of underskilled workers but they still do not have anywhere to live. If people are unemployed, why would they not want to be unemployed in a beautiful area like this, and so they come here. I have not had any feedback from people that there is a lack of skilled or unskilled workers—perhaps skilled more, but that is not a housing issue. But, no, not in this area.

CHAIR—So business is not getting to the point where it has to offer accommodation with the job? That is happening elsewhere in Australia.

Mrs Huegill—No, not in our experience.

Senator HUTCHINS—Mr Marriott, you were on the verge of taking a few minutes to give us your opinions. Do you want to take that opportunity now?

Mr Marriott—Yes.

Senator HUTCHINS—I note the keenness of the chamber to develop the smaller villages is in contrast to the submission by council officers. On a number of occasions they talked about the ageing population here—despite their wish to develop Broadwater and all that. Would you like to take the opportunity to give us your opinions now, Mr Marriott?

Mr Marriott—We have had a look at the undeveloped, unzoned land cost per lot. In other words, if you buy a farm in the Ballina area and it is zoned 1(d), for example, the figures that I have are generally in the order of \$50,000 per lot to purchase. I understand in Lismore, for example, it is probably less than \$20,000. So there is a basic difference immediately there in affordability. With land zoned 2(a) in the Ballina Shire the minimum is \$100,000 a lot at the present time, undeveloped; whereas I understand in Lismore it is around \$30,000. Development costs, including section 94 contributions, are in the order of \$50,000 and that is without any fill and excluding any holding costs—land tax, interest or whatever. So immediately we have a basic difference between the Ballina Shire Council and our neighbouring city council on the basic costs of land to get to the stage before you even build a house.

I recently collated some retail prices of vacant blocks of land either for sale or being sold. In Alstonville, the minimum figure is \$300,000 a block. In Ballina, it is \$200,000—I am using round figures in the examples—and in Lennox Head it is \$250,000 to \$500,000. To build a house with minimum squares, say 20 squares, the cost is at least \$200,000. To build a house for a first homeowner in Alstonville, we are talking \$500,000; in Ballina, \$400,000 and in Lennox Head, it is probably out of the question because they do not necessarily build \$200,000 houses closer to the coast. Those are the costs, in comparison. As to what is affordable, depending on your income, assets and liabilities position, it is probably in the eyes of the beholder. Those are some fairly solid facts that I have been able to collate for this morning.

Senator HUTCHINS—You referred to the differences between Ballina and Lismore, and then you went through the differences between Alstonville, Ballina and Lennox Head. What could a government do to stabilise or standardise the price of land, considering that it is owned by someone else? And, if they do not want to sell it until they are ready to, what could a government do—federal, state or local?

Mr Marriott—Firstly, in an economic sense we have to talk about supply and demand. There are many arguments there, but the most important thing is to have a ready supply of land available through the planning authorities. That necessarily comes from the state government for the release of land for rezoning. In my experience, it takes about seven years to go through the rezoning process and then another two to five years to go through the DCP and DA approval process to get land onto the market. So we have a procedure that takes a long time.

There has been a proposition that state bodies and councils should release more land more quickly. That is fine, but that has the opposite effect—which we have seen in the subprime crisis in the United States—where there is a huge amount of land and property on the market and the value drops. So, whereas you might have bought a \$500,000 house and land package, there is a huge amount of land and housing on the market, so the supply and demand comes into play and the value will drop. That is not a problem while you are paying a house off but, if you have to sell it, you have an issue: that \$500,000 might be a lesser price of \$400,000, \$350,000 or whatever. So releasing land is a very delicate balance. I think the release of land is one thing that has been missing in the shire. We are going through a LEP process, and it is very difficult for the council officers to be at the bidding of the state government's requirements. We have an issue here with potential flooding, climate change and global warming—whatever you like to call it—where one-third of our land in the Ballina shire would go under water fairly quickly. So we have some issues regarding the release of land and that makes a big difference to supply.

I just happened to find a 1982 *Northern Star*, which was in my file, which showed that, according to the 1976 to 1981 census, there was a 47 per cent increase in population in the Ballina shire. We had 20,000 people in 1981 and we now have about 40,000, so the population has doubled, which means the release of land and the increase in people moving to this area has slowed, compared with the period 1976 to 1981, which was a fairly rapid growth period. So I think there is a delicate balance in trying to release more land, which hopefully will reduce prices, or the pressure on prices, but there is the overriding situation that we live close to the river or close to the coast. It makes it very attractive to people to buy.

Senator COLBECK—I just have some quick questions on costs. Is workforce availability in the construction industry—I suppose it works across the construction market—an issue, and to what extent is it an issue impacting on costs here and rates of supply?

Mrs Huegill—It is really only anecdotal, but I do not know that there is any difficulty, for the same reason that I said before: if someone is going to be unemployed, this is where they will be. There will be builders that will say to you that they are having trouble getting more skilled workers, but I think still in this area, particularly in Ballina, there would be an oversupply of unskilled workers, so I do not know that that would impact on building costs. But building costs have definitely increased significantly in Ballina township and the surrounding areas over the last five years. I do not know whether I could guess at what the reason might be, but they have increased by at least 25 per cent over that period, from my experience.

Mr Marriott—Most of that will be to do with the supply of materials, because of the demand from China and, to a lesser extent, India and Asia generally. I have heard of 70 per cent increases in just material costs. Labour probably has not gone up to nearly the same extent because of this 'nice place to live' mentality.

Senator COLBECK—The common ratio of materials to labour is about 60 to 40 in the construction industry, so there would be relative impacts as far as that is concerned. You talk about the development of those surrounding villages. What are the sorts of travel times and distances out from the main centre of those particular locations?

Mr Costello—As Clarissa also mentioned, public transport is a problem. We do not have public transport. But an average for a vehicle coming into Ballina would range from 20 minutes to probably half an hour or something like that, depending on where the village is, the time of day et cetera.

Mrs Huegill—And the time of year and traffic.

Mr Costello—And the time of year, of course, with the Pacific Highway. But, to me, one has to balance the other. If you are talking about housing affordability, I might be able to afford a \$500,000 house but the person next to me might only be able to afford a \$200,000 house, so that person might have to move further away from the CBD to be able to buy that \$200,000 house. If it is 20 minutes or half an hour away, their petrol bill is going to be higher than mine, obviously, because I am closer.

The only reason for my thoughts around a village was that you want to create environments for people to live. Unfortunately, given the way, say, the Ballina CBD area or the Ballina main island area is, it is already in place; whereas out in those areas you have the potential to plan, to put into place the sorts of facilities and the sort of style of living that would be suitable. We have a complex just on the outskirts of Ballina called Riverbend, which is a plus 50s housing resort with a pool and so on. That is great. That is not within the CBD, but it is within the Ballina main island area. Those people who are over 50 live in those houses, and that is quite acceptable. It would be a great place to live when you get to that age. Of course, none of us here are close to that yet!

Senator HUTCHINS—Can we walk through it?

Mr Costello—Yes, absolutely. One of our members developed that, and it is a very good complex. If there were more of those in closer to the main area of Ballina, that would be great. But what we are talking about in a lot of cases in housing affordability is not always the plus 50s; we have to look outside of that towards the young people, the workers, as we mentioned, that want to get involved in the building industry or whatever trade they want to get involved in. They need to be able to afford to have their own premises or own their own home.

Senator COLBECK—You have pre-empted my next question, which is: how are those villages located in respect of the employment infrastructure that exists? You talked about the development of employment land.

Mr Costello—That would be part of the bigger picture.

Senator COLBECK—Are you talking specifically about the Ballina centre, or the Ballina island as you are describing it now, or is it spread out amongst those areas?

Mr Costello—At the moment, the main industrial area is Southern Cross Industrial Estate, which is owned by council. That is the main one, but, as Bryan was saying earlier, through economic development there has been pushing for other areas to be opened up for industrial. Some of those villages could take a small industrial section, which would be for things like repairers of cars and those sorts of blue-collar worker type jobs that businesses could start up. The other thing is that some of the villages do not have supermarkets, so obviously, once the villages grew, you would need those shopping facilities, so that would give jobs to some of the young kids as well and give the opportunity for those kids to do things rather than have to try and get a lift with their parents into the main part of Ballina. But that is all, as I said before, part of the planning process—the sorts of things you want in these areas.

As we know, with the growth of Ballina and the flat areas around Ballina, some of the higher ridge areas that have villages or some of the other areas around Ballina, you could easily create a village. At the end of the day, what you want to do is have the land areas opened with facilities. Bryan mentioned America and places like that. When they put a subdivision in, they put in the church, the shopping centre and the whole works. I am not saying that you would necessarily do that, but to my mind, in the planning process—and we are talking about the future here; we are not talking about tomorrow—we are talking about what we need to have in place for the next years forward, in 20 years. We are going in for our 2020 debate this weekend. Obviously, I am not going to be there—after this effort, anyway! But you guys will probably be at the summit.

CHAIR—I don't think we were invited.

Mr Costello—Weren't you? Sorry.

Senator HUTCHINS—Not even I was invited.

CHAIR—And he is on their side!

Mr Costello—But that is the sort of thing we have got to look at. All I think we need to know is what is going to happen in 20 years plus.

Mr Marriott—Could I add that, at the Russellton Industrial Estate near Wollongbar and Alstonville, there is quite a substantial area of land available which is being used and to be used, and also there is additional land in the Ballina township to be identified in the LEP process. We have also put a submission in to locate industrial land, employment land, at Lennox Head, and I think there are some great opportunities on the way to Wardell, in what we call the Pimlico area. It would satisfy the situation of these villages to have employment land readily available five to 10 minutes away.

Senator TROOD—Mr Costello, you are talking about extensive planning activities. I am wondering whether your members have expressed a view as to whether or not that is an undertaking that should be primarily local or an undertaking that is primarily the responsibility of the state government or whether or not they each have a role to play in this.

Mr Costello—No, the members have not indicated either to me or to the board. But talking about planning, even our chamber has put into place with the new board, whoever that new board is, that we are going to have a strategic planning workshop. Even as a chamber, we have to

put into place some plans for what we are going to be doing budget wise, activity wise over the next 12 months, three years, five years. One of the things we have been working on very closely with the council, and Bryan mentioned this before, is the Economic Development Unit. In conjunction with the state and regional development and the council—the three parties—we each seed funded for three years the Economic Development Unit of Ballina. Unfortunately, that has come to an end as of this period. Hopefully the Ballina Shire Council will continue on with it. Between the three of us we have spent over \$200,000 setting up the EDU department. In this area we have had some great success in planning how to get businesses that were mentioned before to come to Ballina, how we could improve the job availability in Ballina and so on. Like all other areas, we are trying to outdo everyone else to get the business and trying to get those businesses to come to town. We are trying to get the existing businesses to expand.

One of the areas that we have at the moment is a company called Kimberley Kampers. They have more than 70 staff. They are looking to double their staff if they can increase their facility, which they are doing in conjunction with council, and they are trying to get a fibreglass manufacturer to set up in conjunction with them. At the moment I think they have to go out to Toowoomba to access these fibreglass parts that they need for their off-road camper vans. That is the sort of thing that we have done over the last three years, and now we are going to focus on trying to support that EDU. Hopefully council will continue it with some good funding, and also take us forward with plans on how to get these businesses into Ballina.

CHAIR—If there are no further questions—

Mrs Huegill—Can I please make a comment?

CHAIR—Yes, of course.

Mrs Huegill—Senator Hutchins, I think you raised the issue about what a government can do in relation to this. Glenn mentioned the Riverbend scheme that exists just outside Ballina. I think what a government can do is change the perception of what housing is and what it means to people. Australians have a concept that we need to own the block of land and the house that goes onto the block of land. The Riverbend scheme is unique around here. The people who live there do not own the land they are on; they own the building they are in. Because they are renting back, they are able to use the government assistance for rental assistance. It makes living in their own home affordable without holding the Torrens title to the lot. It seems to me that the government needs to be thinking about that sort of scheme when it is asking: what is the definition of affordable housing, what is housing? There is a land ownership issue for many people, and if we could change that perception then maybe there would be a lot more people who would be prepared to go into affordable housing.

Senator HUTCHINS—If we could get some details on that, I am sure we would appreciate that.

Senator TROOD—That is a private development, is it?

Mrs Huegill—It is a private development.

Senator TROOD—So the unique arrangements that exist between the owners and the developers are presumably sanctioned by the council, but it was not a council initiative—is that right?

Mrs Huegill—That is right.

CHAIR—Thank you very much for that. That is of interest to us in terms of the options that we are discussing and the viable solutions that might be presented by this inquiry. I thank each of you for attending this afternoon. We do acknowledge that we have to hold our hearings during the working day, so when we ask people to come to see us we know it is in the middle of your working day as well. That goes for all of our witnesses who appeared today, both here and on the Gold Coast. Again, I thank the local council for their hospitality and for hosting the hearing here this afternoon and I thank the local media for their interest. It is reassuring to know that the work of the Senate is going to be so comprehensively recorded. The committee will reconvene in Geelong, Victoria, next Wednesday at the commencement of our Victorian hearings.

Committee adjourned at 3.40 pm