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SENATE

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN
AUSTRALIA

Reference: Barriers to homeownership in Australia

WEDNESDAY, 23 APRIL 2008

GEELONG

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

Wednesday, 23 April 2008

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

Senators in attendance: Senators Colbeck, Fifield, Moore, Payne and Siewert

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

Terms of reference for the inquiry:

To inquire into and report on:

The barriers to home ownership in Australia, including:

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

WITNESSES

| | |
|---|-----------|
| BLACK, Mr Jason, President, Victoria Division, Planning Institute of Australia | 55 |
| BRENTON, Mr Cameron Jonathan, Coordinator, Strategy, Development Sustainability, City of Greater Geelong | 19 |
| BUTTERWORTH, Dr Iain Mark, Faculty of Health, Medicine, Nursing and Behavioural Sciences, Deakin University..... | 32 |
| DUFTY, Mr Gavin, Manager, Policy and Research, St Vincent de Paul Society | 46 |
| ELDRIDGE, Major David John, Territorial Social Program Secretary, Australia Southern Territory, Salvation Army..... | 38 |
| HIRST, Mr Michael John, Chief Executive, Retail Bank, Bendigo and Adelaide Bank Ltd | 2 |
| HORTON, Ms Netty, General Manager, Community Services, St Vincent de Paul Society | 46 |
| HUNT, Mr Rob, Managing Director, Bendigo and Adelaide Bank Ltd | 2 |
| INCERTI, Ms Kate, Social Worker, Housing Information and Support, City of Port Phillip | 27 |
| McINERNEY, Mr John Francis, Managing Director, Common Equity Housing Ltd | 11 |
| MORAN, Dr Alan, Director, Deregulation, Institute of Public Affairs | 63 |
| SPIVAK, Mr Gary, Housing Development Officer, City of Port Phillip | 27 |
| TUOHEY, Ms Anne, Research and Policy Coordinator, Aged Care and Community Services, St Vincent de Paul Society | 46 |
| WAGER, Ms Jane, Coordinator, Community Development, City of Greater Geelong | 19 |
| WORN, Mr Stuart, Executive Officer, Victoria Division, Planning Institute of Australia | 55 |

Committee met at 9.27 am

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

The barriers to home ownership in Australia, including:

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

To date the committee has held public hearings in Canberra, Sydney, Campbelltown, Karratha, Perth, Brisbane, the Gold Coast and Ballina in northern New South Wales. This hearing is convened to receive evidence on housing affordability issues as they affect the Victoria and the Geelong 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 remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[9.29 am]

HIRST, Mr Michael John, Chief Executive, Retail Bank, Bendigo and Adelaide Bank Ltd

HUNT, Mr Rob, Managing Director, Bendigo and Adelaide Bank Ltd

CHAIR—I welcome our first witnesses this morning and thank them very much for attending. I invite you to make an opening statement, and at the conclusion of that we will go to questions.

Mr Hunt—Thank you. I have had the opportunity to read the Australian Bankers Association presentation of 2 April. We want to add to that. We agree with the points that were made but we would like to give the regional and community bank perspective, which has been our focus for some years now. Bendigo Building Society, as the Bendigo and Adelaide Bank Ltd was then called, formed in 1858 so for the first 130-plus years was a building society. Its prime purpose was about housing. It was formed by local citizens to collect savings sufficient to be able to start building housing stock. So our interest in affordability and the essential element of housing has been with us for our entire history. This year we celebrate 150 years. We have a proud history in that involvement.

From our point of view, we encourage all of the other things like encouraging savings, thrift and ways for people to prepare themselves for homeownership. We do agree that there has been a change in the savings structures within Australia, and that there are some disincentives in terms of the tax treatment of particular savings, particularly relating to those initial savings for housing vis-a-vis the compulsory superannuation element that perhaps once was part of savings but is now going into a longer term saving structure.

We work with large and small rural, regional and suburban communities across Australia and we do see housing and effective accommodation as being absolutely critical issues to the prosperity of those markets. We also see our role as feeding into that prosperity. If those communities that we serve reach their potential, we are undoubtedly going to reach ours, so that is the view that we hold in the role that we play as a bank. Housing affordability is critical in those areas. It is not just critical at entry; that asset class is actually a critical and long-term important asset class that gets utilised over a lifetime. We certainly see there are some areas where affordability is more difficult and that has tended to be in markets where there has been rapid increases in prices or a change in the mix of population within those districts. A particular focus might be, at times, in some of the coastal areas. There has been quite a movement of people into those coastal areas and that has made it very difficult for some young and local people to remain in those townships.

We certainly understand things like interest rates and their impact on affordability, particularly at the entry point because that is when that primary test comes about of testing whether it is in the customer's interest to be entering into a financial transaction of that size, given the long-term nature of it. Interest rates do play a part in that initial qualification, but perhaps not quite as much as the impacts of the increase in price and the change in the size and structures that are now available for housing. The entry point for young people to accumulate deposits and enter into those arrangements is becoming more difficult.

The Bendigo and Adelaide Bank has 210 community banks around Australia where we are actually partnering with local communities. We see firsthand what role the availability and essential elements of housing play in those local economies. We participate with those communities in some of the planning to make sure that we have available housing to house the employment structures that need to be supported, to attract people into the district and to enable locals to stay local. That gives us a good insight, in some ways, into just what an important part that particular asset class plays in Australia.

From my point of view, it is an asset class that does last a lifetime. It does quite often fund retirement options in the latter part of someone's life. It does also help fund businesses. It is quite often an asset class that is utilised as a cheaper form of funding for a lot of small businesses. It also facilitates some form of investment over one's life. So it is important that we find ways for people to be able to enter such an important asset class that is really a well-performing asset class.

I want to turn to the role of banks for a second. Having read some of the commentary, I want to reinforce something that we see everyday as a bank. Quite often we see the commentary around banking largely reflecting on product, price and access issues. But the real role of a bank is that it is probably one of the most efficient ways to deliver capital into those local and domestic economies. It plays a big part in terms of providing cash and a range of other support structures for small business. I just wanted to make that point. It is a structure that is licensed by government and it is very efficient at moving capital into productive activity at a local level—none more so than housing.

We have seen change in the capital pools. When I first joined the banking arena, there was a larger proportion of Australian savings that used to sit in banks and they were actually then distributed into the various activities at a local and national level. Those structures have changed in the sense that we have compulsory superannuation and we have a whole range of collective investments. Many people now have part of their savings or investment pools in the stock market. So there has been a shift in terms of just where that capital is in the system. We see banks playing a very important part in being able to attract those moneys back from the wholesale markets or the broader markets. Perhaps not so much at this very moment, but some of those global markets have found domestic assets like housing to be very attractive over the years. It has been a well-performing asset in Australia.

We still see our focus as relationship and community banking, but housing plays a critical part in the balance sheets of many of the customers that we serve. It is important that we continue to pursue and look for affordable ways for people to be able to gain access to housing. Over the years, we have worked on a raft of different solutions around housing affordability and that entry point. We continue to do that today. We have a joint venture in the community sector banking structure. It is a joint venture with some not-for-profits who are working on ways that they might also participate in actually facilitating or attracting capital into some alternative structures which we think will prove to be attractive entry points for people. We are working on an affordable program with the Tasmanian government. We are working with some large developers as they enter new large developments to see whether or not we can make sure there is in fact affordable housing provided in each of these major new suburbs that will emerge in the coming years. We are also working on initiatives with Indigenous communities and looking at ways to think about developing new financial structures that might free up some capital and attract it to quite creative ways of getting people into affordable housing.

We also think about it in the sense of the broader scheme and not just the entry point. We have worked on a number of innovative ways with equity participation models. We had a joint venture with Rismark which is starting to explore whether there are ways you can have some sort of participation to assist people in that entry point as well as just the normal assistance we provide in advising people as they prepare themselves for future homeownership. That is primarily in the area of savings. We also look at it in terms of the aging population and the alternatives around aged accommodation. The obvious ones are retirement living and other forms of assisted living. But we have also given a great deal of thought to options beyond the reverse mortgage. We think reverse mortgages are fine for short-term financing requirements, but they are not really a long-term strategy because of the compound interest factor.

We have developed a product called Homesafe, which is in fact an equity release product that enables people to remain in their home, in their networks, in their safe environment and in an environment that they actually like. By the same token, they are assisted by having a little bit of the cash freed up that might be tied up in their product. We think this is a really innovative product, but we would need to convince the investment markets that the new asset class is a very, very worthwhile thing to do and is also a very good financial way of releasing some of the equity that people might have in their home to provide that essential cash to give them quality of life.

I want to leave you with the message that we see this as a part of our responsibility—to work with our constituency and our communities to try and expand the way that we might think through those challenges that they have in their own communities to do with housing and accommodation. The types of houses that are constructed—that is, the stock and the range of different participation models, whether they be ownership, rent-buy models or rental models that simply enable people to accumulate over time the capacity to enter homeownership in their own right—are all part of a responsibility that we have to help them through this process. Having thought about building such an important asset, I think it can be utilised over a lifetime in a raft of different ways for solving and supporting people through the life cycle.

We also think about the issue of our role beyond that initial purchase. It is not about completing a sale; it is about a relationship that is likely to endure for a good, long period of time. So the responsibility of preparing ourselves, even in changed circumstances, is equally important. It is not the sale of the product; it is the effectiveness of the product over the life of that product. We have structures—although they have not been tested in the last few years—like mortgage help centres and customer help centres, which are very much about trying to talk to people if stresses emerge so we can actually help them through those difficult times and perhaps develop strategies before the problem becomes more serious. We see banks and their role as being very, very important, particularly those banks that focus very much on relationship and community connections, because this gives us the opportunity to play that larger role in partnership with those communities and customers in achieving their aspirations.

Because of the effectiveness of the housing lending that has been underway in Australia, we are confident that the capital will find its way to this asset class. While it is a little challenged in the short term beyond Australian savings, we think that that will actually free up over time because of the quality of the asset and the process that has people entering into those housing contracts. While we see areas of greater pressure in some areas, we think that there are solutions that might be applied. Some of them are very much regional or location specific—they might relate to some circumstance that just relates to one area or another—but it is important that we continue to be creative. This is something that we think the corporate sector and the communities are capable of thinking through. What government can do is assist with things like the government charges, the other issues that affect the availability of stock or the availability of land, and the attractiveness of saving for a deposit—those are the areas where we think governments can best participate in allowing people to enter the housing market. Banks provide efficient distribution and, I think, an effective and prudent process to advise people in the acquisition of such a large asset that will sit on their balance sheet.

While some of our affordability developments are in the very early stages of gestation, we are committed to working with each of our markets to try and ease some of the pressures around affordability, retention of homes and availability of appropriate accommodation. We see housing as an attractive asset over a lifetime for a great range of people in Australia that is able to be utilised for a raft of different things over that lifetime. A lot of other things have been said on behalf of the banking industry; we wanted to just give a regional bank perspective and a community bank perspective, given our close association with just on 400 communities across Australia. We thank the committee for the time and the opportunity to at least provide that information and our perspective on the role that we intend to play in the future. Thank you very much.

CHAIR—We do appreciate the perspective that you have brought to us this morning. I think you said, Mr Hunt, that you had 210 community banks partnering with local communities which involved you participating in planning—just to paraphrase some of your remarks—and making sure that houses are available. How does that actually manifest itself? How do you do that? What is the nature of the partnership? Who are the other partners?

Mr Hunt—The partnership started some 10 years ago now primarily to provide banking services, with the loss of banking services to some communities. So it started with that process. But we very much see the partnership as not only retaining some local capital, which the banking does, but enabling us to work with them in building new competencies, new confidence—new ways to ensure that they identify the things that are critical to the health and wellbeing of their community. Of course, one of those things is clearly housing, both affordability and availability, and whether they can attract the appropriate workers to support their industries and businesses in their area. Those things always rise to the surface when you start to think about a town that is developing. The way it manifests is usually with the community identifying the issues that are challenging sustainability and, as I say, housing is one of the things in some areas where available stock or affordability will rise to the surface and be discussed. It is also true in some communities we are in that there are simply no facilities for retirement and so forth and for people staying in the community. Clearly that is one of the other areas where we are working with them to try to see whether there are solutions that can be grown from the community to enable people to stay in their town or in their village and remain with their network and yet have quality of accommodation.

CHAIR—Does that mean you would be working with local councils, chambers of commerce or businesses themselves? Who are your partners in that process?

Mr Hunt—It is all of those, because the people generally who are our partners in community banks around Australia tend to be the businesspeople. They are quite often local councils, quite often a good, broad representation of people in the community. Having identified a particular need, we then as the commercial partner work with them to see whether there is a solution and, quite often, that might mean introducing other partners or other commercial organisations that might assist them to solve that problem.

CHAIR—You said in relation to your association with developers that you looked at trying to ensure that affordable housing—different sorts of houses, different sorts of stock—was provided in the newer suburbs. How successful is that? We have heard quite a deal of evidence about developers continuing to build large homes—four-bedroom, two-bathroom type homes—because they say that that is what the market wants and if they do venture down alternative roads the properties do not sell. We have even had local government say that sort of thing to us as well—but then people who are looking from a different perspective at affordable housing are very keen to ensure there is a diversity of stock. You market a two-bedroom, one-bathroom place—more than one, in fact; a range in a development—and I wonder how that process is going from your perspective.

Mr Hunt—It is very early days. The primary discussions have been with Delfin, and the discussions have been very positive. They are very keen to try to develop ways to ensure that they do accommodate a broad selection of options when people come into their suburbs, because they are generally fairly large suburbs. But equally we are talking to some commercial operators around quite innovative housing developments in some Indigenous communities or mining communities, where there is simply no stock when the mining company moves in, and about trying to get something that is really a very sustainable, self contained, effectively a flat-pack-type solution which can be provided without a lot of infrastructure to support it. There is some real innovation going on out there in the thinking about these sorts of housing developments. We are quite enthused about that. We are not directly involved in doing anything at the moment but we are certainly exploring the options that that will provide to some communities where there is no stock and where that can provide them with a more immediate solution. It is also right through to premises that are fully self-sustainable.

Senator MOORE—Following on from that, some of the solutions that have been put up in the past are ideas that for every development there would be a certain percentage of that development that would be of an affordable type, whatever has been agreed by the group. Have you been involved in any of the injections of capital in set-ups of that nature?

Mr Hunt—No, not as yet. We started with the major corporation I spoke about before primarily to try to find ways of engaging what is a raft of people moving into a suburb where there is no community as yet and helping to bind them to really common objectives. A lot of it is around that, but as soon as you start to be involved in that way you suddenly start to find that there are issues around making sure that this community can provide affordable housing. My understanding is that Delfin, as an organisation, has done a good deal of work and thinking about how it does actually provide that sort of accommodation in its developments.

Senator MOORE—Your evidence covered the whole range, from first home buyers through to aged accommodation. We have noted that, when setting up a development in a greenfields site—as you mentioned—some also plan at that stage to have aged accommodation in the original planning. Is that the kind of thing that you have been doing? You did mention in your evidence that it was one of the asset classes that was useful.

Mr Hunt—Yes, it is because it does enable people to stay within those communities. No, we have not been involved with major corporations. What we have tended to do is to collect information from our communities and, if there is an issue or a need, we then try to see whether there a way of converting that need into a solution both with community commitment and quite often with community involvement even in capital injection, as community bank works, and then bringing in other parties that can help them achieve a solution.

Senator MOORE—You mentioned you were setting up mortgage help centres in some places as a focus point for people to come to talk to you if they are having some trouble. Have you got any statistics on your current repossession levels?

Mr Hunt—They are very, very low, as are arrears. Generally, we are seeing a very tiny tick-up in a couple of areas, but it is very tiny. It is probably at an all-time low at this point for our organisation. I am very watchful, however, of pressure on the household budget, for instance, because of increasing interest rates. We try to make sure that we are speaking with our customers as the supportive partner, because the earlier you get to these issues and the earlier you notice the stress the more able you are to provide solutions to protect their equity. We think that also helps us with our responsibility to our shareholders. Protecting their equity is the primary objective of the help centres.

Senator MOORE—At the risk of free advertising, how do your rates compare with those of others? There has been a serious degree of media coverage recently about perceived increases in repossessions. There was a large media story in Brisbane yesterday.

Senator SIEWERT—Yesterday it was on the news that it was one in five, which is 20 per cent.

Senator MOORE—Yes. How does that compare? You have just said it has been a low for you, but the figures that are coming out through media coverage indicate that there is currently a crisis with repossession and, I think more frighteningly, that the future looks very bad. Do you have any data about how that compares?

Mr Hirst—No, we do not have any data on that. I have not seen those figures, but I would be very surprised at those numbers, given the level of employment in Australia and the level of arrears that we are seeing across the industry. That would be surprising to me.

Mr Hunt—I must admit, looking at the bank figures, there does not appear to be evidence in them at this point of that sort of level of difficulty. There are lots of other participants within the housing finance structures so, whether that is emerging elsewhere, whether that is actually evidenced in those sectors, I am not sure.

CHAIR—I do not think it was broken down between ADIs and non-bank lenders so that is part of the problem in interpretation.

Mr Hirst—Even in terms of the non-bank originators there is a lot of publicly available data around the performance of securitisation issues and the arrears et cetera associated with that, and none of those are showing any significant up-tick in terms of arrears.

Senator SIEWERT—I think that you said you have read the ABA evidence. They said that, as I understood it, the banks provide 85 per cent of home loans and credit unions et cetera provide another seven per cent. So mortgage originators only take up about eight per cent of the market. If I understand what you are saying, that eight per cent would be responsible for any up-tick—I think that is the technical term—in the number of repossessions. On the news last night there was a report which I only tuned in to as I picked up the word ‘housing’. I missed who had done the report, but they said one in five are expected to be repossessed. I thought that was incredible, particularly if you agree with the ABA’s analysis of the 85 per cent. It seems to me that a small percentage of mortgage originators are responsible for those figures, if they are correct.

Mr Hirst—I do not think that they are correct. In terms of the 85 per cent, a significant portion of that actually originates out of mortgage brokers, who then originate on behalf of the banks.

Senator SIEWERT—That is very important because the way it was presented to us was, ‘No, we do 85 per cent; it is those mortgage originators that are responsible,’ but you are saying that part of that 85 per cent actually goes to mortgage brokers.

Mr Hirst—Yes. Those mortgage brokers then introduce those loans to the banks.

Senator SIEWERT—So non pure bank loans are actually less than 85 per cent.

Mr Hirst—Yes, the 85 per cent sit on the bank balance sheets or are funded by banks through other vehicles, but a significant proportion of those have been introduced by mortgage brokers, so they do the interview with the person, the documentation et cetera.

Senator SIEWERT—Therefore, actually more than the eight per cent that was indicated to us in earlier evidence could be termed mortgage originators or mortgage brokers.

Mr Hirst—The only caveat that I put on that is that all of these loans that the mortgage brokers originate for banks are done at bank underwriting standards. It is like having a franchisee, in a way. It is not a franchisee, but it is having someone else working for you, originating for you, using your standards.

Senator SIEWERT—I am sorry to drag you through the technical bits, but who is responsible for the repossession?

Mr Hirst—It is whoever funds the particular loan.

Senator SIEWERT—So it is still the bank.

Mr Hirst—Yes.

Senator COLBECK—To follow on from that, just so I get it clear, even though a significant proportion of the lending originated through mortgage originators, the arrears levels on that would show up in that 85 per cent that is originated in the banking sector.

Mr Hirst—It would either show up in individual banks’ arrears positions, or in the securitisations and things like the SPIN, which looks at the arrears et cetera associated with bond issues that are residential mortgage backed securities issues. Those numbers would show up through either of those two areas.

Senator COLBECK—In the case of those mortgages that were originated through a mortgage originator, the day-to-day management of that would be done by the originator but the bottom line figures would show up in the bank’s numbers; that is what you are effectively saying.

Mr Hirst—The banks or the securitisation issue.

Senator COLBECK—Okay. You mentioned that you were involved in a number of joint ventures and you had a project with the Tasmanian government. Are there any other states around the country that are looking at doing any work with you on that?

Mr Hunt—There are, but they are at the very early stages. We are working with some governments around some other Indigenous models in the Northern Territory and Aurukun. We are also working with—I have not got the details in front of me—I think it is one of the New South Wales housing associations or groups. So there are a range of groups that we are starting now to have discussions with about whether there are alternative ways try to rethink how we might positively affect the affordability issues or the entry point levels.

Senator COLBECK—To the extent that you can, could you give us a rundown on where you are at with the Tasmanian government and what your time frames might be for bringing infrastructure into the market.

Mr Hunt—I can get you that material. I know it was done as a pilot, but I think it is now looking to be expanded. I can obtain some material for the committee on that. Perhaps if there is a little bit of an update on those other initiatives, even if they are in the early stages, we can at least provide you with some of the dialogue that is going on—because it is just early at this stage. But our view is that, if you can construct it so that it is attractive for that capital to be drawn to that solution and you have got active participation in terms of the customers and the communities that are using the services, you have probably got a good chance of success.

Senator COLBECK—Have you had any discussions with the social sector? My understanding is that in Tasmania they are also involved in the project that you are doing with the state government there. But are you having any individual discussions with the social sector in respect of projects with them?

Mr Hunt—Yes, we are. We formed a joint venture a few years ago with the community sector—21 community sector organisations, I think it was—called Community Sector Banking. The aim was to see whether we could gather some knowledge and capabilities out of accumulating a little bit of their banking and trying to provide financial banking solutions, but also so that we could spend a portion of the surpluses that might be generated out of that activity on solutions. Clearly this is one of those areas in which we are working with some of the sector on trying to find solutions, in conjunction with those not-for-profit type structures.

Senator COLBECK—While we are talking about interaction with governments, have you had any interaction with the Commonwealth in respect of the home saver grants?

Mr Hunt—No, we have not.

Senator COLBECK—Would you see yourself as being a player in that particular market moving forward, potentially?

Mr Hunt—I am not sure I know enough about it—me personally—but I am sure my organisation does. I will find out if we are doing anything in that regard and let the committee know. I will follow that through.

CHAIR—Thank you.

Senator COLBECK—Also, have you had any interaction with the national housing affordability scheme, and would you see yourself as a player in that particular program?

Mr Hunt—Once again, I am not familiar with it but I am sure someone in my organisation is. I will take both of those on board and see if I can give you some feedback.

Senator COLBECK—Thank you.

Senator FIFIELD—Bendigo Bank very effectively markets itself as being quite different to the larger banks in terms of its size, the intimacy of its dealings with its customers and the care it provides to its customers. That is great marketing. Clearly there does seem to be more behind that than just good marketing. If, as you say, defaults and arrears are at an all time low, it would seem that Bendigo Bank, perhaps, approaches its loans in a different way to other banks. It is quite common now for more than 30 per cent of someone's income to go on loan repayments. Does Bendigo Bank adopt a different approach? Does it have slightly different criteria, in terms of its mortgage lending, to the larger banks?

Mr Hunt—Perhaps you could deal with that first, Mike, and I will come back to the issue of positioning of the business.

Mr Hirst—I think we are slightly more conservative than some of the majors and some of the mortgage originators around what we do on the lending side. To a degree, that is because we have a smaller capital base and our ability to take additional risk is not anywhere near that of those larger organisations. I think our biggest point of difference comes in when people start to get into trouble. As Rob said, we have a mortgage help centre rather than an asset management area and the role of that mortgage help centre is to ensure that the homeowner has the best opportunity to retain the most equity they can in what they have built over the period

of the loan. That may mean, in some instances, that it makes sense for them to sell up and to get a fresh start with the equity they retain, or it may mean that we rework the finance arrangements that we have with them to see them through that tough time, as long as we feel that that is the best result for them. That approach is what we have been doing over a long period of time. As Rob said, we were set up 150 years ago to provide housing in the Bendigo area. We think that is a point of difference between us and the others. We think that adds to our customer relationship. It certainly has not been tested in the last 10 years with the economy performing so well but we will see what happens in tougher times.

Senator FIFIELD—So there is earlier intervention through your customer care centre. In terms of who you lend money to in the first place, do you have different criteria from those of the major banks? Would you lend a smaller percentage of the value of the property, for instance?

Mr Hirst—We certainly are not at the extreme end of lending—at the over 100 per cent end. Again, that comes back to our risk appetite and our ability to wear losses around those things. But we must be competitive in the market and we continue to be competitive without being at the leading edge.

Senator FIFIELD—So it is just a generally more conservative approach?

Mr Hirst—Yes, I think so.

Mr Hunt—The point I would like to make about our positioning is this. I think our positioning largely reflects that we are convinced that we will reach our potential if our customers achieve their aspirations and reach their potential. So it drives a focus right through the organisation that, if we are doing a good job at providing good advice, at the entry point or at any stage through the life of that relationship, then we will actually be adding some value to the customer's balance sheet. So, if there is a difference, it is that.

The Australian banking system is one of the best in the world, in terms of safety, security, utility and access. And you have heard me say that the role of a bank is much more important sometimes than people might perceive when they discuss price and product and access issues, which sometimes is how banks are categorised. It is the role of banks, in terms of the outcomes that are produced, in terms of the effective feeding in of capital into productive activity, including in housing, where the banking industry stands out. Our standards are not a great deal different. They are really at the margin, because we really do have a prudently managed banking system in Australia. In some cases it comes down to an attitude. It is not so much about marketing. We think deeds speak louder than words. So that is the way we go about our business and we think the rest takes care of itself in terms of positioning.

Senator FIFIELD—There has been quite a bit of public commentary about the decoupling of bank mortgage rate movements and RBA decisions. How does Bendigo Bank, in terms of its standard variable rate, compare to the big four banks now?

Mr Hunt—We are competitive, as Mike has said. It has been discussed at this committee before and I am sure you are all aware of the input changes in terms of some wholesale funding costs and other costs. We have had one adjustment beyond the cash rate movement, which was in January. We have not made a further adjustment. There have been other adjustments, but we have not made them at this point primarily because we want to see whether that is where things settle or whether a restored confidence emerges and capital starts to flow a little more freely through the banks and into domestic activity. We are holding off at this point on any additional change until we are confident that is a longer term trend.

Senator FIFIELD—Are you keeping yourself competitive and attractive as well?

Mr Hunt—Yes. We have to be competitive. At the end of the day, we are in that business. We are trying to add value beyond that.

Mr Hirst—Can I just gently correct you there, Rob. We have made two corrections over and above the cash rate, but in the main the industry has made three. So we have made one less.

CHAIR—Thank you very much.

Mr Hunt—Thanks for saving me, Michael!

Senator SIEWERT—Just to clarify, we did find the article about the one in five. It is one in five already in housing stress, of which there are 750,000. So it is 20 per cent of that—assuming they are talking about the 750,000—which is 150,000.

CHAIR—It depends whether they are talking about 30 per cent or the 30-40 rule, which is not clear.

Senator SIEWERT—Yes, that is right. It is not clear from that, which leads me on to my next question. This follows on from the earlier questions from my colleagues on being conservative about your lending and the 30 per cent. What has been raised with the committee is that 30-40 line—that is, it is 30 per cent of those on a certain income. If you have got a high income, spending 30 per cent of your income does not impact so much on your household budget. If you have a relatively low income and you are spending 30 per cent of your income on your mortgage, it obviously impacts much more strongly. Is that one of your conservative approaches? If your customer has got a lower income then are you more conservative in what you will agree to lend?

Mr Hirst—It works its way through. If you look at 30 per cent of their net disposable income then that comes up with a number which then determines how much you can afford to repay. That repayment feeds into how much you can borrow. So it is really relative to the amount of money that you have borrowed. If they have borrowed a lot, people on a high income could be under just as much repayment stress as someone on a lower income.

Senator SIEWERT—Could you explain a little bit more to me about the equity participation that you were talking about?

Mr Hunt—Michael sits on the board of that company. It is quite an innovative product in terms of trying to provide the safety and certainty of remaining at home without taking on effectively a debt with accumulating interest.

Mr Hirst—There are actually two products. One is a product through Rismark. We have an ownership in that company and provide funding for it. That is at the entry level of the market. People will put up X amount of equity themselves—typically 10 or 20 per cent—and then they will be able to borrow an amount from the bank. The bank will then purchase a further percentage in that property as well. So there is actually some joint ownership in that property. When that property is then sold, the loan would be discharged, the owner would get their percentage share of the equity in the sale and the bank would take its percentage share of the equity in the sale. At the other end of the market, which I think is the area of the market where we have been working a little bit longer, we have a home equity release product. Where older people are in their homes, there are a lot of people whose houses are a significant proportion of their asset base and those people may not want to leave where they live. I know the government is looking to support ageing in place for all the right reasons—that is, that people want to stay in their home.

In those situations we purchase a percentage of the person's home, give them the money associated with that percentage purchase and then when that home is sold—it is entirely up to the occupant when they make that decision—we will take our percentage share of the capital gain or loss, and it could be either, over that period. The problem that we have with both of those products is that those assets are not really appropriate assets for a bank balance sheet because the cash flow associated with them is lumpy and it comes in at the end when people decide to sell the home. So there is only a certain amount of capital that we can afford to put into those products. We are currently, I think, at about \$80 million on the equity release end and at about \$40 million on the equity investment end. What we really need to be able to continue with those products is access to patient capital that does not have the same cash flow demands as a bank might have.

Senator SIEWERT—Is patient capital capital that you have patience about when you make money out of it?

Mr Hirst—It is when you get your money back, yes. It is really suited to long-term investment horizons. The residential housing asset class in Australia is a very hard asset class for investors to get access to without directly buying individual homes. We think that superannuation funds and other long-term investors, such as the Future Fund, should really be interested in this sort of asset class, especially given that it would assist the government with its aims around ageing in place. That is because a lot of the money, in instances where people are selling a portion of their home to get money, is for home renovations to assist with access and disability, providing nursing and meals, cleaning in the home et cetera, so it really is about ageing in place. And that is something that we would be grateful to get a bit of capital support for.

Senator SIEWERT—What is the uptake? You said that you already have \$40 million invested in equity participation. Do all banks do this, or is it just something that Bendigo Bank is doing?

Mr Hirst—At this stage we are the only ones that are doing it. We have had talks with a couple of the other major banks about coming in, distributing this product and investing in this product. Some of those are

ongoing, but it is difficult to get people's attention for what is a small business today when there are so many other opportunities.

Mr Hunt—To restate: our view is that this is a good, performing, long-term asset. It is different to a normal bank-lending thing, but we have been willing to commit capital to it because we believe in it. We think it actually will stand up to scrutiny from a range of different investors.

Senator SIEWERT—How popular is it?

Mr Hirst—On the equity release side, we are settling about 60 a month.

Senator SIEWERT—What about the other end, the purchasing of homes?

Mr Hirst—The other end is not as active.

Senator SIEWERT—Is it not as active because people are not asking for it or because you have half the amount of capital invested in it?

Mr Hirst—I think it has probably got more to do with the amount of capital that we are able to put behind it. We cannot go out and heavily promote these things when we actually do not have the money to invest.

Mr Hunt—That is very much so with equity release, in the sense that to a large degree in the testing process—the pilots—we have been governing the growth because there is a limit to the capital we can apply to it after having developed it in that early stage. As the proof of concept is well and truly done now, we are working through and in some ways constraining a bit of the growth until we find partners that are willing to invest in that asset class.

CHAIR—To wrap up what Senator Siewert was asking about: Mr Hirst, if there is any formal information the bank has about those products—your promotional material and that sort of thing—we would be very grateful if you could provide us with some copies of that.

Mr Hirst—No problem.

CHAIR—Thank you.

Senator SIEWERT—With that, can we get take-up rates? Mr Hirst, you said there are fairly low take-up rates and a regional difference in where this is taken up—that information would be good to have as well.

Mr Hirst—There is a regional difference because we can only afford to provide it in a few places.

CHAIR—Thank you both very much. It has been a very useful session for the committee. We are very grateful for your presentation and for your attendance here this morning.

Mr Hunt—I will provide that other information as well.

CHAIR—Thank you.

[10.20 am]

McINERNEY, Mr John Francis, Managing Director, Common Equity Housing Ltd

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

Mr McInerney—Common Equity Housing Ltd is a not-for-profit housing association here in Victoria.

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

Mr McInerney—Thanks for the invitation to speak on one of my favourite subjects, housing affordability.

CHAIR—It is rapidly becoming one of ours as well.

Mr McInerney—I have been in the social housing sector for over 20 years now, in a number of positions. For the last six years, I have been managing director of the largest social housing provider here in Victoria, called Common Equity Housing. We currently own about 1,700 houses that we provide to low-income people. I can say here on record that it has been a very successful program over many years. It has been operating for 20 years. We have high stability rates. We are a profitable business. We have actually made surpluses for the last 10 years, which we have reinvested in housing. We think we have got a very successful model of housing provision for low-income people. We also think we have products that can be expanded into other areas.

I will talk now about the broader housing affordability issues. I do not want to go into great detail today. Obviously there are things you have heard already. There are many ideas, and I think some of them are valid, about how we can tackle the affordability issues, such as by reducing the cost of production of housing and stuff like that. There are numerous suggestions on the table. I think they will make slight incremental improvements if they are all done collectively. I think we can reduce the cost of providing housing, but it will only be incremental. It is not going to really resolve the problem.

We have got to come up with some new programs and new options for people to resolve the bigger problem. Somehow government needs to take some of the heat out of the housing market. It has got the levers to do that, through the tax system. Unfortunately, housing has become too much of a speculative industry and a lot of people are now relying on spiralling capital values to realise their profits. A lot of significant money has been invested in housing for investment purposes rather than for houses to live in. That needs to be tackled. It is really difficult to tackle. I can understand that changing the tax regimes is very, very difficult, but I do think they need to be changed.

I think also that some of the supply side assistance that the government has introduced over the years, such as the First Home Owner Grant and Commonwealth Rent Assistance, are very blunt instruments. Whilst I support those initiatives, I think they have to be refined a lot in their delivery to achieve the outcome that we want, which is more affordable housing. They are not really reaching their potential to do that. They are very blunt and not very well-targeted assistance.

My pet disappointment, or concern, is the state housing authorities and the Commonwealth-State Housing Agreement. Unfortunately that is the main plank of social housing in this country and it has been very poorly managed for many years. We really do need a shake-up in the social housing sector and how that housing is delivered. I am sympathetic at one level. The social housing authorities, public housing authorities, are at the bottom end of the market, but unfortunately some of their knee-jerk policy responses have actually worsened the problem for people rather than assisting with the problem.

It is my view that most of the public housing was originally established for working families. It has degenerated into very much second-class welfare housing that is highly stigmatised, and I categorically believe that the policies that are now being pursued by different state governments and different state public housing authorities are actually sending them bankrupt and stigmatising the people who live in the houses. It is a very poor social and financial outcome for those people and I think that is a real pity. I still think there is potential to turn that around. The wonderful thing about the housing authorities is that they still have great land assets, and they own land in what have now become prime locations in some cities. Unfortunately they are very inept at making those assets work in their favour, and I think that needs to be confronted and something needs to be done. There have been some moves in some pockets about regeneration of some projects but they seem highly expensive. It is almost as though they are creating the problem and then having to spend a lot of money in fixing it, and I think there are much higher level policy issues that they need to tackle to change some of those.

On a more positive note, I would like to talk about our program and what we have done. As I said, we have been housing people with the same eligibility criteria as public housing, so all the people coming to our program are on Centrelink benefits. We currently house about 4,000 people in our 1,700 houses, and we do it with good social outcomes and on a profitable basis. It is built around the very simple philosophy of giving responsibility to tenants. That is basically our model. It is a cooperative model. We are a central company, and we have government grants to pay for 65 per cent of the stock we own. We borrowed 35 per cent from the commercial banks, and we have serviced those debts over the years to the point now where our debt is approximately 12 per cent of the value of our stock. We have about \$360 million worth of stock in Victoria, and we have debts of less than \$30 million these days, so we really have improved the balance sheet significantly over the years. We lease the properties to groups of tenants. We ask the tenants to form a local cooperative, usually of between 12 and 20 households, in an area or with an interest group. They form a corporative and manage their own rent collection. They pay rent to their own cooperative and pass on 55 per cent of the rent collected to the company. We service the debt and provide them with assistance, expertise and resources to run their little businesses—they actually run small businesses. They are responsible for the day-to-day maintenance of their properties, and the company does any capital works on the properties.

The effect of this is that the tenants take great pride in their homes. I talk about the front fence syndrome. We do not just let people paint their front fence; we are actually out there physically encouraging them to do it. Anecdotally that means we pay for the paint and the person paints their fence, but it makes them proud of their house and it has a great effect in the neighbourhood. As I say to people, 'When you're out there painting your front fence, the neighbours talk to you. The neighbours assume you own the house and you're not seen as a welfare housing case.' That is pretty much how our program runs. Our houses are all interspersed in the community, and people do not view themselves as tenants. They view themselves as very proud of being a part of their cooperative, and that is a mentality that I think is really important in good effective social housing.

We have looked at overseas models of rental housing cooperatives, and we are keen to push into the area of equity co-ops, where low-income workers—not just people reliant on welfare payments—particularly people in single income families, can invest in a cooperative that will provide them with a house. The pilot scheme we have drafted, and for which we are seeking assistance from the federal and state governments, is for us to develop the housing and for the co-op to own the houses. Typically a co-op might own a hundred houses. Each of the families who apply for it would invest in the cooperative, not the actual house, and they would be guaranteed to live in their house at 75 per cent of the market rent and in a desirable location such as in the city, in an area where people need to work and live.

We would offer them—and this is a very important plank of the program—security of tenure insofar as it is their call when they move out. They are offered long-term contracts to live in the properties. We are suggesting a 10-year contract with options after that 10-year period, including options to buy the house with some discount in recognition of how long they have stayed there or any home improvements they have done themselves.

We are also trying to break from the mould of the typical private tenancy arrangement where it is very much viewed as the property of the owner and the tenant is not permitted to do anything. We would be actively encouraging tenants to decorate and renovate the houses at their own expense—use sweat equity, use their own investment—to make them their homes. We think that is a very good business model for us because, as soon as people invest in their homes, the level of defaults, as the bankers just before me said, would be very low, as opposed the situation in rental housing where it is significant. We think that the level of default would be very low, administration would be very low and maintenance would be very low.

We think the co-op, the owner of the property, the asset manager, can actually provide that at a reduced cost because it has taken a lot of the risk out of the rental business. Obviously it has great benefits for the residents. They get the stability of staying in the one place and linking into the community over a long period of time. They are not under the threat of having to shift every two or three years. They can stay for a long time. They can also make the house their own, because they would be permitted to decorate it, establish gardens—whatever—at their own expense.

We have done some costings on that model. With the federal government's National Rental Affordability Scheme—it has not been officially announced yet—and the figures that are around at the moment, we believe it would be very tight. On our costings, we would have to produce the houses at \$200,000 per unit. They are offering \$8,000 in interest subsidy. We would get \$100,000 virtually interest free or subsidised, and we would have to fund the rest ourselves. We have been to a bank and we have got support to do a pilot, but more

importantly we are trying to convince the state government—we have made submissions to them—that we might develop some of their estate land for this purpose. Whilst that is not confirmed, they have given us a good hearing and I think it is under consideration.

But that is where we think there is a future for private housing—almost a third tenure. With this equity housing, you buy into a company or a co-operative rather than into an individual property and the investment that people put in themselves is protected. They would not get capital gain—that would stay with the not-for-profit provider—but their money would be refundable when they left and probably CPI-ed as well for the duration of the time they stayed in the property. That is where we are at at the moment and we would like to see that up and running.

CHAIR—Thank you for that information, Mr McInerney.

Senator SIEWERT—It sounds like you are doing pretty exciting stuff. It makes me wonder why some of our state social housing organisations have not been able to make things work. I will come to your proposal in a second, but I want to look at what you are currently doing. What sort of tenure do you provide to your tenants at the moment?

Mr McInerney—Lifelong. I think that is a really important plank. They are on five-year agreements but they have options to renew them each five years, provided they meet their obligations under their agreement, pay their rent and look after the property.

Senator SIEWERT—That is one of the key issues that has come up.

Mr McInerney—To us, it is the fundamental plank. It is pretty simple logic—we make a commitment to those people and they make a commitment to us. We have really high rates of involvement in the program. People look after their properties and people pay their rent, and that is why we run a successful business. We do a little bit of screening at the front end, I must say. We interview people before they go in.

Senator SIEWERT—That was my next question.

Mr McInerney—Some will say we are creaming. If you look at our tenant profile, I do not think we could be accused of creaming. But we do look for people who are prepared to make a commitment and understand the commitment they are making. Obviously, it is not a program for your drug addicted person or your gambler or stuff like that, but we have a whole range of people in our program and we have very specialist co-ops being set up—people in domestic violence, new arrivals. We have got numerous cooperatives made up of language groups and stuff like that. So we have a broad range of people and we run an education program, and people have to attend it before we consider them—it is a filtering process at the front end.

Senator SIEWERT—You have a set of criteria that you assess applicants or tenants against.

Mr McInerney—Yes, but they all have to be low income and some of the groups—and we hand this responsibility down to the local groups too—have a bias towards needy people. They will say they are looking for them, but they will pick and choose which needy person. It has to be a person who is prepared to make a commitment, but in the current market it is a big pool we are picking from.

Senator SIEWERT—What is your turnover: how long are people tending to stay?

Mr McInerney—We have high stability rates. Currently we have, as I said, 1,700 properties. For the last three years our turnover rate has been between 60 and 80 properties a year.

Senator SIEWERT—That is very low.

Mr McInerney—It is very low, but it is an indication of our success in some ways, I think.

Senator SIEWERT—Exactly. It means that you are providing housing; you are supplying long-term security to people and they are happy to stay.

Mr McInerney—We have been fortunate in the last few years. The government has recognised our success, and we have currently got \$40 million worth of buildings under construction to expand the program, so we are in expansion mode at the moment.

Senator SIEWERT—My next question is: what proportion of the housing that you supply is where you acquire existing properties and what proportion of the properties do you build?

Mr McInerney—At the inception of the program—it started in the late eighties—we mainly purchased properties. Over the last 10 years we have shifted to building all our properties, so now we are building and redeveloping a lot of our existing properties.

Senator SIEWERT—Where are your properties located?

Mr McInerney—All around Victoria, but we have sort of epicentres—and that is why we are here today. We have over 220 houses in Geelong. We have a similar number—it would be a few less—in Bendigo. We have about 40 per cent of our stock in metropolitan Melbourne and about 60 per cent spread through regional Victoria, mainly in provincial centres—Shepparton, Traralgon, Ballarat; we have a significant presence in all those towns.

Senator SIEWERT—Moving on to your new proposal for the co-op approach, where people would buy in: what level of investment are you looking at?

Mr McInerney—Like I said, it is very early days. The program has not even been announced yet—we believe the NRAS program is going to be announced at the end of the month. Obviously, there has been discussion and we have been attuned to it. At the moment we are speculating a \$10,000 investment for the commitment to go into it and the model we have drawn up is targeting single-income families with incomes between \$42,000 and \$65,000. That would be our priority, but the numbers only work in what are relatively high rental areas—areas where the rents are \$300 to \$350 per week. To qualify for the federal government's subsidy, we would have to charge 75 per cent of the market rent. So if the market rent is currently \$200, then we have to charge \$150 or the numbers do not work. We have to get a weekly rental base of about \$250 per week to support the loans, but we are doing it all on borrowed money. We have got banks bidding for the business at the moment. We have approached the banks, and they are very enthusiastic about it.

Senator SIEWERT—You were here when we were listening to the Bendigo Bank on equity participation. Would that be something that would also interest your organisation?

Mr McInerney—We are in discussions, not with Bendigo, but with another sort of smaller bank—MECU, the Members Equity Credit Union. They have expressed some interest, but these discussions have not reached their end point yet. They are even going through their internal systems about the potential of their putting equity into a project like this. They see some convergence of interest, insofar as many of their members would qualify for this type of housing, and they think it would be a good investment portfolio for them as a service to their members. We are at high-level discussions with them about potentially putting equity in.

The difficulty with equity, as Bendigo Bank said, is that at some point they are going to want to realise their equity. We think the property occupant's security is really important and, marrying those two issues, at some point the bank is going to say: 'We need to realise our capital gain on this property. We need to get our money back at some stage.' The model we have got at the moment, I think, stacks up. We are saying that we would borrow the money for 10 years; the subsidy ceases after 10 years, we believe, under the NRAS scheme. But what we would offer is that people could purchase the property off us at 90 per cent—or the formula we came up with is that, for each year they lived there, they would get a discount of one per cent. So if they moved in after five years it would be a five per cent discount on the market price at that time.

We would imagine that, with the profile of the group we are targeting, some people's situation would have improved in a 10 year period, especially the single-income family scenario, where young children are usually the reason that there is a single income. Often that means that later on in life there would be a dual income and they would be in a position to buy. Or we could roll over and refinance the properties, but we would have to do it with no subsidy—with all the borrowings—and we would be relying on CPI increases in rents over those 10 years to cover that cost. There is a slight risk there, but I think it is manageable.

Senator COLBECK—Going back to your current stock—about 1,700 properties—what has been your turnover of stock over that period of time? Has there been a regular upgrading of the stock or have you come in with a base level of stock and then had to manage that over the period of time?

Mr McInerney—I cannot speak for the whole time, but we began acquiring stock in 1987. We had a big growth period between 1987 and 1997 and we have had steady growth since then. Over the last four or five years we have very much had a stock management strategy in place and we are identifying properties and renewing probably 35 to 40 properties a year, either through sales and replacements or demolition and redevelopment of the sites. So we have got an active program at the moment in place to do that, but it is currently running at about 30 to 40 properties a year. They are people's homes as well, obviously, so it is a balancing act. We have a very efficient regime of property inspections in place and we have a database with the condition of every property. We target properties that will be replaced when they become vacant. So we have properties on that database that we do minimal maintenance on. When they have got major structural

problems or they are deemed to be in areas that are not advantageous, once they become vacant we have got them earmarked for sale or redevelopment. We are doing about 35 to 40 a year.

Senator COLBECK—So that is basically in line with the turnover rate—people rolling out of them?

Mr McInerney—It is a little bit different. It is not completely linked. We will have situations such as the one we had last weekend when we purchased a house for an existing tenant who lives in an inner city house. He is a single man approaching 70 years of age and has some health issues. His house is structurally very unsound. It has shifted a lot and all the doors do not close. We had an estimate done and found it would be \$120,000 to bring it up to standard. Our solution was to approach him and say: 'We have had your house valued and even in its current condition it is probably worth half a million dollars. You have got a half a million dollars to locate another apartment or house in this suburb that you could move to.' Within a month or two he had come to us with a house, which we bought at auction for \$490,000 last Saturday. So we have bought that house and he will move into it, and then we will sell his former house off. So we are prepared to do things like that. It is pretty active management.

Senator COLBECK—So you have effectively got enough breadth in your stock and in your tenancies that provides you with the capacity to be sustainable, effectively?

Mr McInerney—We do not receive any government subsidies at the moment. We live off the rent. Most of our tenants do access rent assistance, because they are on pensions, but that is our income. We base the rents on 25 per cent of their income plus the rent assistance that they are eligible for. About 15 to 20 per cent of our current population are in work and they pay a higher rent, obviously.

Senator COLBECK—You said you had \$40 million worth of properties under construction. So you have a range of stock within your overall package, from new to—

Mr McInerney—There is another thing we have pursued, over the last five years or so. We have an ageing population in our stock. Most of the people moved in 15 or more years ago with families, when we had predominantly three- or four-bedroom houses. We recognise now from our tenant profile that in our properties we have a lot of ageing people, a lot of empty-nesters, basically—people whose families have moved on. We have been very actively building smaller, two-bedroom units. We even built a retirement village and we are in the process of building a second one in a joint venture arrangement with an aged-care provider, of which we will retain some of the stock. We use our expertise in building to retain some of the nomination rights of that stock in the retirement village to give people the option to move into more assisted living, and we have found that that has been very well received by our tenants. We are saying: 'We've got a lifelong commitment to you. Your house mightn't be suitable as you age, but we'll develop something else for you in your neighbourhood. That frees up houses for us to recruit other families, basically. We have been pursuing that. We built a retirement village of 60 units in Shepparton and we purchased land off the RSL to build a larger one—we are still at council—in a joint venture with them out in Dandenong. We have also got proposals for future development of that same nature with the City of Boroondara and the Anglican Church in Geelong that we are negotiating at the moment.

Senator COLBECK—So, again, you are effectively trying to maintain people within their communities but providing options within that area for—

Mr McInerney—And they do not have to be retirement villages; in Geelong we have done numerous developments of three units, one of six units, one of four units and one of five units. When people see the new units already built—basically two-bedroom units but well-appointed and modern—obviously they see the opportunity and they will voluntarily move into those units and free up their houses. That is a strategy that we have been pursuing.

Senator SIEWERT—Do you do disability housing as well?

Mr McInerney—Again, we have made this commitment to all our tenants: 'You're part of our program.' If people acquire a disability, we can use our fund. We put an annual budget aside each year for modifications to properties. So, yes, in principle that is what we do. We also have had instances where people have moved in with children with disabilities, those children have become adults with disabilities and they need a different accommodation option. We have been able respond to those people as well.

Senator COLBECK—Do you have a formula for determining market rental?

Mr McInerney—Yes.

Senator COLBECK—Is it scientific or is it—

Mr McInerney—It is pragmatic, I suppose, more than scientific. We have divided the state up into six regions—six zones, as we call them. We get a quarterly report from REIV on the market rents. We average the low and medium market rent for each of those regions and we base it on that. We do it in blocks. We set a market rent for every property. The process is—I would not say crude—not that refined. We notify people of the market rent and they have to pay at the market rent if they are working. The safeguard is that people have a system of appeal. If we say, ‘You’ve got a house in Traralgon; we think the market rent’s \$200 a week based on the statistics we’ve got,’ and they want to appeal our decision, they need to come to us with written appraisals from a registered valuer or real estate agent saying that that is not the correct market rent and we will adjust it down. There is a handful of instances where that has happened but, generally, people accept our market rent estimate, but it is an estimate. As I said, we divided the state into six zones and we place each town in a zone, basically.

Senator COLBECK—Are you aware of any other measures of market rental that might exist in Victoria?

Mr McInerney—My understanding of the Victorian public housing authority is that they have a periodic evaluation by the Valuer-General, not across the board but rolling, and then they apply increments to that amount on an annual basis based on the REIV data, I believe. If there is a two per cent increase in that region then they put all the stock up by two per cent. Valuation and market rents work on that thing. It is a hard thing to keep abreast of, as you probably know. Anecdotally, the market has skyrocketed at the moment. Most of the published data is based on rents that are advertised, not actual rents that people are paying. There is a change over the time that the rents are advertised, so most of the data is probably on the high side a little bit.

Senator COLBECK—The reason I ask the question is obviously that the federal government’s proposed scheme is based on the providers charging at a percentage of the market rate. Your point about the volatility of the market is a good one as well. How do you actually manage that with the market bracing, as it is purported to be doing? What is the cycle that you use to manage that process for the people you have and for the properties that become vacant and therefore go into the market? How do you manage that process?

Mr McInerney—We established a market rent for every property about two years ago and we have been applying a three per cent CPI to that each year. I have no doubt that our market rents are favourable compared to the actual. I think the proof of that is that when we send out our notices with our estimate of the market rent very few people appeal it. The few who make inquiries are a bit shocked at how probably under the market we really are compared with what is in their area. We might say, ‘Your market rent is \$210 a week.’ They think that is high and they will go to the local agent, who will say, ‘Most people are paying \$250 in this area.’ I think that is the response that we are getting, but that is anecdotal. I do not have statistics on that.

Senator MOORE—At a certain level are people earning too much money to stay in your system?

Mr McInerney—We do not think so. There are certainly people whose situations do improve. It is our view that, firstly, their rent goes up to market level, so they are actually subsidising someone else in the program, effectively. Also, importantly for us, there is a lot of involvement at the local level. They have to organise the rent collection and organise decisions about maintenance on houses and stuff like that. It tends to be those people who are skilled and get into the workforce who are the glue in those groups, who hold those groups together. So we think we get a lot of voluntary work out of those people. That is not true in every instance but, overall, that is our perception. A lot of the people who do find work are the very people who are very active and very valuable in their cooperatives. We would be reluctant to lose them. We currently offer a right to buy if you have been in the program more than five years, but it is only at market value. We have some uptake on that. A handful per annum would purchase their house and then we would buy a replacement house with the proceeds. It is not done with any discount in the current scheme. All they get is that they do not have to bid or compete with someone else; they get it offered based on a valuation.

Senator MOORE—How do those six zones in Victoria match with the regional housing areas of the Victorian state government?

Mr McInerney—Basically, the six areas are: inner metro, which is inner Melbourne; middle Melbourne; outer Melbourne; provincial city; country town; and rural. As I said, it is fairly crude. It is not the most sophisticated way of setting rents, but it seems to work.

Senator MOORE—It makes sense. I have in mind your story about the gentleman who was relocated. There is such a significant difference between someone who is in your scheme and someone who is not in your scheme who is renting in the inner city.

Mr McInerney—There is, very much so.

Senator MOORE—And we are hearing of people being evicted all around the place as landlords buy up properties and just change them into moneymaking propositions—I had two such people in my office yesterday in Brisbane—and the immediacy of the contrast with what you talk about is so great.

Mr McInerney—It is quite remarkable what prices inner city properties are bringing in Melbourne at the moment, even those in very poor condition. We can sell an inner city property and buy two in the outer suburbs. My board is very reluctant to do that. We really value our inner city properties because they are obviously beneficial to the people living in them. But that is something we cannot control—the inner city properties, even the smallest, most humble abodes, are worth a lot of money.

CHAIR—Mr McInerney, one of the submissions we received relating to the Victorian hearings made reference to the Melbourne 2030 strategy, and we have been able to do some reading about that. Did you have any role or any consultative role in the development of that strategy? Did you have any input? And does it take into account the concept that your organisation regards as primary—affordable housing?

Mr McInerney—By and large, I am supportive of the 2030 scheme, though there are mixed impressions about how it has been implemented. But the idea of developing along transport nodes, where there is already existing infrastructure, rather than continually pushing out, makes a lot of sense to me. We would be interested in any opportunity to develop in those mid-suburb nodes, as they call them in the 2030 scheme. And I think there is potential to rezone and reuse some of the land, especially around or above railway stations and so on. But I suppose my main ambition concerns some poorly working assets of the state government: housing estates that are stigmatised and pretty run down. For instance, we are really keen to do a big development in Broadmeadows, which is a highly stigmatised area but which we think has great potential because of its links to transport, to the airport and to work. We think it is a suburb that needs to be regenerated. Similarly, Moorabbin could be developed. We have put in a bid for some land at Ashwood, and in Geelong we would be interested in Corio or Norlane because we think they are well located to services but unfortunately they are not well utilised at the moment with the developments that are there. And they are highly stigmatised and pretty undervalued for what they offer. I think that needs to be changed.

CHAIR—When you are taking that long-term view—and that clearly is a view to the future and to what your organisation can do—do you do that in conjunction with, for example, the local government representatives in an area? How do you formulate that approach?

Mr McInerney—Obviously we have to go through planning permits like everyone else. I would generally say that local governments are pretty supportive of any idea to regenerate land in their areas. There are a few, I suppose, where the stigma has stuck and carried on and they have really been burnt, or they feel that there is a push within their communities against some of their traditional public housing. I suppose we like to present it as something different from that. By and large, though, I think we are fairly well received in our submissions to local government.

Senator SIEWERT—Do you work with community based organisations? When you mentioned Broadmeadows I pricked up my ears, because I was out there a couple of Fridays ago with one of the very active community groups in the area and they are doing some really good community based work. Do you work with such organisations?

Mr McInerney—We certainly do. We have those community links and we work with organisations. We are very happy we recently entered into this joint venture arrangement in Dandenong with the RSL. We see the RSL as a significant landholder around the state. They have some similar issues to ours. They have an ageing population and traditionally a lot of those people are on welfare, on pensions. They want to see their holdings better developed too. Those sorts of partnerships are really important to us—similarly with churches.

CHAIR—Of your 1,700 properties, I assume very few of them, if any, are vacant.

Mr McInerney—Very few, yes. We would be concerned if an exit-to-reoccupation period were longer than four weeks. That is the sort of benchmark we set. I am not saying that does not happen, but that is the sort of expectation that we set in our program—that it should be backfilled. Sometimes work has to happen or something like that so it might be delayed a little bit, but that is the normal turnover.

CHAIR—Thank you very much for attending this morning. It has been very helpful to the committee. The role of Common Equity Housing Ltd is of great interest to us. We appreciate your time and your assistance today.

Mr McInerney—Thank you.

Proceedings suspended from 11.00 am to 11.15 am

BRENTON, Mr Cameron Jonathan, Coordinator, Strategy, Development Sustainability, City of Greater Geelong

WAGER, Ms Jane, Coordinator, Community Development, City of Greater Geelong

CHAIR—We will resume with our next set of witnesses, from the City of Greater Geelong council. I invite you to make an opening statement, and we will go to questions after that.

Mr Brenton—Thank you for providing the city with the opportunity to make this presentation today. As you probably would be well aware, Greater Geelong is one of the fastest-growing regional centres in Victoria. We are expected to accommodate a significant quantum of new housing and urban development over the next 25 to 30 years. Planning to accommodate that development is a key focus of the council, and implicit in that are considerations around housing affordability and sustainable urban development more generally.

The city recognises the extremely rapid decline in housing affordability across most of Australia's urban areas, particularly in inner urban locations. As noted by many commentators, this decline in housing affordability has principally been driven by sustained growth in population and households, which has increased the overall demand for housing; a sustained period of economic growth, which has generated low unemployment and increased wealth, which has in turn increased many people's capacity to pay for housing; ready access to debt finance at historically low rates, which has further increased people's capacity to pay for housing; and, on top of that, a shortage in the supply of housing, particularly in well-serviced inner urban areas. In summary, the city notes that an increasingly large number of increasingly wealthy households have been competing for an increasingly scarce product: the supply of well-located housing, particularly in inner urban areas.

There are other less fundamental drivers of the housing affordability problem, including but not limited to inadequate land supply arrangements in particular areas, overly complex and time-consuming development assessment processes in particular areas, labour and skills shortages related to housing production, and the impact of fiscal policy, in particular the impact of current taxation arrangements on housing investment in established housing products.

We expect that you will get submissions covering the gamut of these influences. The purpose of our statement today is not to provide commentary on each one but rather to highlight what we consider to be a fundamental and extremely glaring deficiency in the current policy framework of housing affordability and indeed urban development more generally. We refer to the lack of a return to an explicit and transparent method of capturing the betterment that is sustained when higher order development rights are inferred upon land by the public. This effect is usually referred to as betterment gain or windfall gain and occurs whenever a public authority makes a decision on behalf of the community to increase the development capacity of a particular piece of land.

Further implicit in our submission is a fundamental issue associated with the housing affordability problem: the government's incapacity to deliver—particularly through a lack of funding—high-quality urban environments, in particular a network of high-quality urban environments. The lack of supply of high-quality urban environments—indeed, their scarcity—is in our opinion a major structural driver of the housing affordability problem.

Within our submission, we have defined betterment capture as a mechanism which seeks to capture a proportion of any uplift in land values which landowners sustain as a result of a public policy decision rather than as a direct result of their own actions. As just mentioned, betterment capture is usually referred to as windfall gain. Generally these sorts of uplifts in land values are sustained when the scope or permissible intensity of development on a site is increased to fulfil some kind of public policy objective. Most notably, betterment is sustained upon the conversion of rural land on the urban fringe to urban purposes. It is also sustained, however, when any higher order development rights are conferred on any piece of land in any area. That includes development density rights, for example, in established urban areas.

Betterment capture theory relies on the premise that the community is entitled to capture a proportion of any uplift in land values which it creates as a result of the need to meet a public policy objective rather than that betterment flowing, as it does currently, into the hands of the private sector. More specifically, the community creates the uplift in land values by constraining the supply points and supply volumes of these development rights. For example, constraining where development can and cannot happen obviously creates increases in value where those rights are conferred upon properties.

Allied to this idea of value creation by the community and the capturing of that value is the idea of mitigating land speculation, particularly on the urban fringe. As most of us know, land speculation on the urban fringe is rife, with many entities engaging in land acquisition solely for the purpose of capturing betterment rather than for engaging in bona fide development.

We present two main mechanisms available to the government with respect to capturing betterment. The first, a relatively obvious and simple mechanism, is the public acquisition of land at pre-betterment values and then its sale at post-betterment values to a bona fide developer—or the public development of the land in question, with later sales to the consumers of housing and land. The second mechanism is the application of a betterment levy which would be a levy payable by developers in respect of any land for which betterment has been sustained.

The first mechanism—the acquisition of land by a public agency to capture betterment—is obviously not a new concept. Back in the 1970s, under the Whitlam government, there was a significant program of public land acquisition under the auspices of the Land Commission Program. Under that program, substantial funds were provided by the Commonwealth government to the states in order to acquire land, principally on the urban fringe, to develop some of that land immediately and to bank large proportions of it for later development.

Numerous commentators have assessed the Land Commission Program. In summary, it is explicit that its development was in part to capture a significant proportion of the uplift in land values which is sustained when that land is converted to urban purposes. It is not clear why this program was wound back during the eighties and nineties. The principal reason was probably conservative governments' general dislike for intervention in the land market—and indeed there not being any clear reason why such intervention was actually necessary at that time.

Four states, including New South Wales, Victoria and South Australia, currently maintain public land development authorities or agencies. However, the scope of their actions has been wound back considerably. In fact, their charters have been made much more commercial and most engage in, relatively, not ad hoc but isolated commercial development projects in the same vein as any other developer. This has in many respects been to the detriment of the social objectives that those agencies had when they were first established.

It is our view that a thorough review of the role which public land acquisition can play in capturing betterment and, in doing that, assisting to fund the delivery of high-quality urban environments ought to be undertaken by this Senate select committee. In addition to capturing betterment, the public acquisition of land and either its on-selling to bona fide developers or its development by a suitable public authority has the potential to significantly improve the efficiency of urban development and the achievement of more contemporary urban development objectives—in particular, objectives around sustainable development.

The second option to capture betterment is, as I previously mentioned, the application of a betterment levy which would be payable in respect of any land for which betterment has been sustained. However, such a levy would in our view need to be couched as a development licence fee—that is, it is not a levy or a tax but rather a fee that is payable because a licence has been inferred on a piece of land to develop that land by the community. In the same way that the government rations other licences, for example television licences, radio broadcast licences and taxi licences, licences to develop land ought to be rationed and sold rather than given away for free, which is currently the case.

To establish the value of a development licence fee, there are a number of different approaches which might be taken. It is our view that the simplest approach would be to calculate the difference in the average of different classes of rural and urban land in different places. For example, in Geelong we might calculate the difference between the average value of rural land in the city and the average of in globo residential land, in globo industrial land and other forms of urban land. The differences in those values would then be scheduled and a proportion of those differences would be applied as the value of the development licence fee. There are other approaches, such as the valuation of sites as you go, for example. However, these are much more burdensome upon the relevant administrations. The other advantage of prescheduling the value differences between different classes of land is that it delivers certainty to developers in terms of what the fee would be in different areas. It also delivers certainty to public administrations in terms of the income they can expect with regard to forecast development.

We submit that, if applied appropriately, capturing betterment, particularly on the urban fringe in the context of the rapid growth and the rapid conversion of rural land to urban land, would provide a massive funding assistance to the delivery of higher quality urban environments. This is most important in the context of the

trend for lower income households and marginalised households to be pushed out to the urban fringe because they obviously cannot afford to buy housing in well-serviced inner urban areas. The delivery of services, particularly public transport, community facilities and other urban services, in urban centres to create a network of well-serviced urban centres—which is commonly referred to as the nodal cities or networked cities concept—would obviously relieve the current scarcity of such locations and, in particular, increase the supply of well-serviced locations on the urban fringe. In our view, this is one of the most significant structural improvements that any government could make to urban development generally and to alleviate the issue of housing affordability. To restate: the issue of housing affordability is fundamentally driven by an overwhelming desire of people to purchase housing in desirable, well-serviced environments. There is currently a lack of such environments.

In summary, whilst we do not present here a quantified assessment of the value of betterment which may be captured, it is well known that on the urban fringe, for example, the value of land generally increases by around \$300,000 per hectare when such land is designated for urban development. That is obviously a significant amount of betterment which is currently flowing into the private sector or being whittled away through non-transparent and ad hoc negotiations between public authorities and private developers. We submit that an explicit and transparent mechanism to capture that betterment is needed as a matter of urgency.

CHAIR—Thanks very much, Mr Brenton. Ms Wager, do you wish to add anything at this point?

Ms Wager—No.

CHAIR—Okay. Has the proposition that you have just put forward to the committee been advanced to government at any level?

Mr Brenton—Yes it has. We have the largest urban growth area in Victoria here in Geelong—the Armstrong Creek urban growth area.

CHAIR—You might find that is one of the reasons we are here.

Mr Brenton—Yes. We have obviously done considerable research around how infrastructure ought be coordinated, delivered and funded in that area and we have run into substantial problems, as have many other jurisdictions with respect to their growth areas. As part of that research, we commissioned SGS Economics & Planning, who are a well-regarded firm of urban economists, to prepare a scoping paper of betterment capture as it applies generally but, in particular, to urban growth areas on the urban fringe—in fact we have drawn on that paper considerably in our submission to this committee. However, we did present that paper to the Victorian state government and we have engaged with the Victorian state government with respect to advancing the potential for a betterment mechanism to be applied on a statewide basis. We had struck an in-principle agreement to consider that as part of a working group, but that is about as far advanced as we have got thus far.

CHAIR—Is the paper one which could be made available to the committee?

Mr Brenton—Certainly, we are happy to submit that paper.

CHAIR—Thank you; that would be very helpful. In its development—I understand it was done by consultants—was there any engagement with the developer component of the partnerships that occur in this area; was there any input from them?

Mr Brenton—Not in so far as that paper specifically; however, there has been a lot of other research undertaken with respect to development contributions more generally and their impact. If I can summarise: it is generally the case that with any development levy, whether it be a user-pays infrastructure charge or a betterment levy of this nature, the impost of that levy is reduced substantially where it is prescheduled and known about well in advance—that is, it is transparent so that developers are able to factor the levy into their development equations and, in this particular case, pay less for raw land, which is the desired effect of such a levy. So infrastructure charges or levies upon land development have different incidences and in fact different desired incidences in terms of whether they fall on land sellers or the ultimate consumers of housing. This particular betterment levy ought be directed obviously to the sellers of raw land and, in order to achieve that to the fullest extent possible, it would need to be prescheduled and known about well in advance. In fact, we submit in the paper that the introduction of such a levy ought be phased in—for example, there might be no fee payable upon the conversion of urban land within the first five years, then perhaps 25 per cent of the average betterment margins within years 5 to 10 and then perhaps 75 per cent thereafter. The point being that the phasing in of a levy is critical to ensuring that its incidence is directed to land sellers. Allied to that is the

need for efficient urban land markets, competition in the land market and adequate land supplies to ensure that land cannot be withheld and in effect a betterment levy passed onto consumers.

CHAIR—Thank you.

Senator MOORE—I am just trying to be very clear. We have heard from a number of developers that already the impost on them is a disincentive in some states—in fact in all states. We have had figures given to us, and I am sure you have seen some of the *Hansard*, about how much it costs to a developer to produce a development. Local government charges are one of the line items that they mention. Is your proposal going to be more impost to developers or is it just focused exclusively on the vendor?

Mr Brenton—If betterment was captured via the introduction of a development licence fee that fee would be payable by a developer and therefore, yes, it is less efficient than, for example, the public acquisition of land to capture betterment. There is the potential for part of that fee, depending on the elasticity of the land market, to be passed forward to home purchasers. As I said previously, however, with open competition in the land market and suitable land supply, it is obviously going to be the case that in delivering competitive products to the market, developers are going to absorb some of that levy or, wherever possible, try to pay less for raw land in effect to mitigate that levy.

So we submit that the imposition of a development licence fee is less efficient with respect to capturing betterment and directing the incidence of that capture to land sellers than the public acquisition of land. However, we do not accept that all developer levies are passed forward to the consumers of land and housing, and certainly research undertaken has shown that generally it is the case that it is shared amongst land sellers, developers themselves and the ultimate consumers.

Senator MOORE—In the paper you are going to provide to us does it say who is going to be the licensor?

Mr Brenton—We have not made that submission in our paper, but it would most likely need to be a suitable urban land authority or arms-length government vehicle that administered the funds. For example, in Victoria it may be that VicUrban's mandate is extended to administer the funds collected through a development licence fee. It may be that the funds could be collected and administered at a local level by local governments. There would need to be, however, quite transparent and explicit objectives around how such a fee could be spent, and we would suggest that the collection of the fee would be a nexus to the delivery of infrastructure and services in the area from which the fee was collected, which is a fundamental tenet of most other user-pays infrastructure charging systems.

Senator MOORE—So some of the existing charges that are already on developers to get something sellable ready in terms of utilities provision, roads—all those things—could actually be counterbalanced against this one.

Mr Brenton—That could be the case, although it is important to note that theoretically a development licence fee which seeks to capture the betterment that is sustained when you, say, rezone land from rural to urban development is conceptually different from an infrastructure charge that might be payable by a developer in respect of the cost of the infrastructure required to service a particular area. They are conceptually very different things. Usually infrastructure charges are user-pays charges. They are theoretical premises that it costs X to deliver infrastructure in a particular area. The cost of doing so is divided amongst the ultimate users of that infrastructure and charges are levied accordingly. A development licence fee has a completely different theoretical basis. It is based on the increment in land values that is earned as a result of a public policy decision rather than as a result of any particular developer's activities. They are very different. Having said that, for the sake of pragmatics, of course the funds earned by a development licence fee could significantly reduce the need for other development levies that might currently be applied on land.

Senator MOORE—I have to read the paper. My head is still not absolutely clear on the link with public policy. It seems to me as though you are developing a piece of land for sale. I am not sure where the public policy comes in to that, but I will not tire the rest of the committee while I am trying to work my way through that.

Mr Brenton—I will make one more comment. At the most general level the principle is that a public agency, on behalf of the community, changes what can be done on a piece of land. That is a public policy decision; it is not a decision by anyone, particularly an individual et cetera. In making that decision the value of that piece of land invariably changes. In the case of, for example, taking a piece of rural land and making it available for urban development, the value escalates appreciably. That value gain ought to flow back to the community because the community made that public policy decision for a range of reasons. It ought not to

flow into the hands of the particular individual who owns that piece of land. That particular individual obviously has a right to profit from the development of that piece of land because they have been given the right to develop, if you like, but that is separate from also capturing the gain that has been conferred by the public. Hopefully that makes sense.

Senator MOORE—I am wondering how many landowners have been involved in your discussions.

Mr Brenton—Obviously there would be quite significant opposition. That does not change the fact or diminish the equity involved in capturing for public good gain that is created by the public.

Senator COLBECK—You say that development levies or infrastructure charges are not passed on but they are amortised across different elements. Do you have any hard evidence that that is the case? In this process we have spoken with developers and they certainly do not decide that the landowner can pay part of it by, effectively, offering them less money. The landowner obviously has a price and the market will determine where that price range goes to. In a competitive process where you might have a number of developers trying to get hold of that piece of land, that price is more likely to go up, not down. Most developers are not necessarily benevolent societies; they are going to want to recover all their costs. An infrastructure charge or a development levy is a cost, and we have heard a lot of evidence through this process to indicate to us that one of the factors in the reduction of affordable housing is the imposition by local government of these infrastructure charges. In New South Wales they are in the order of \$50,000, with a cumulative range of costs of up to \$120,000 per block. I would like to see some hard evidence, which I am quite happy to receive, and I am sure the committee would be too, that these costs are not going to be passed on and that it is not the homeowner that effectively pays the cost at the end of the day. That is the evidence we have had so far on the reduction in the affordability of housing.

Mr Brenton—There is a fairly robust analysis of the incidence of development levies in one of the Productivity Commission reports. I believe it is in the inquiry into first homeownership in 2004. There is attached to our submission a further analysis of the incidence of development levies, which was conducted by SGS Economics and Planning. I do agree that competition to secure raw land for development is strong. That usually means that developers will bid the price up as much as they can and then turn up at the door of the local government authority and tell us how they cannot possibly pay any structure charge and, if they are made to do so, it will just be passed forward to the consumers of the housing. I accept that; however, I think that needs to be tempered with the knowledge that there is obviously a housing market out there and an amount that people are prepared to pay for housing. When you buy a house you do not pay \$200,000 for it plus the \$20,000 that has been levied by local government as an infrastructure charge. The competitive process will result, in some instances, in charges being absorbed or passed backwards, particularly where there are very open land supply arrangements, that is, supplies are adequate to meet demand and the price of the land is not being bid up unsustainably.

Having said that, we do submit that the imposition of a development licence fee is more complicated and, in our view, the least favoured approach. The most favoured approach and the most direct and efficient approach is by far a return to some form of public acquisition of land, particularly rural land on the urban fringe before it is released for urban development. Such land could literally be on-sold to bona fide developers at its post-betterment value, if you like, which therefore has no impact on the development industry whatsoever. That could happen in fact with the relevant planning approvals and sustainability objectives attached.

Senator COLBECK—For example, like the way the Albury Wodonga Corporation has operated until recently, until they stopped their development? But how does that process work? If you are selling land to developers with approvals in place, subdivision licences and all those sorts of things, how does that actually affect affordability? All you are doing is transferring the profit from the owner of the land to the state. How do you guarantee that the state actually applies that to affordable housing?

Mr Brenton—That has a massive impact on affordability, for two reasons. The value that is captured can be used directly to deliver services and infrastructure in those areas.

Senator COLBECK—How do you guarantee that?

Mr Brenton—An appropriate system would need to be set up, obviously. It could be hypothecated, for example. Affordable housing, as we know, is not just related to the price. It is fundamentally related to the location and quality of the house. Capturing significant value—for example, \$300,000 per hectare on the urban fringe—and hypothecating that money into the delivery of services on the urban fringe in new urban areas has a substantial impact on housing affordability. Obviously, as I have mentioned, it increases the supply of well-

served locations, which has a major structural impact on housing affordability. It also improves the attractiveness of those places for those generally who are on the lowest incomes.

Senator COLBECK—Providing of course that the captured value does get reimbursed back into the system. That is a critical element of what you are proposing.

Mr Brenton—Absolutely.

Senator COLBECK—If it does not then there is absolutely no value gained at all.

Mr Brenton—It just becomes general revenue, which could be expended on any number of different things and may have no impact on housing affordability whatsoever. We submit wholeheartedly that any such system would need to be predicated explicitly on the delivery of services within the areas where the betterment was captured.

Senator COLBECK—In that context, there is the capacity for capturing the value increase of the land into the delivery of services rather than, say, levies. That could then have a positive impact as that effect flowed through to the market—and it will take some time to flow through to the market. Then over a period of perhaps four or five years it could have a positive impact on the affordability of housing in those particular regions and, over the longer term, potentially have an impact on the market as well.

Mr Brenton—Correct. We have stated in our submission that there are obviously numerous other policy levers which you will consider in relation to housing affordability. Most of those, however, are geared towards increasing the supply of affordable housing in inner urban areas, for example, by encouraging greater investment in that type of housing or indeed by creating funding sources to subsidise the delivery of housing for those most in need. That is a different sort of policy circumstance. What we are proposing here is a much broader and much more fundamental approach to the issue. The funding quantum that we are talking about here in terms of betterment are massive and significantly more substantial than anything that would be generated by any other inclusionary zoning type mechanism, for example, for affordable housing.

Senator COLBECK—Do you have any indication of the sorts of areas of land and their potential value if, for example, you take the City of Greater Geelong? Do you have any indication of what sorts of areas that might be available for such a process and what their entry cost might be?

Mr Brenton—Yes. We did an analysis of the betterment sustained in the Armstrong Creek urban growth area. By that I mean we looked at the price of rural land that was not within the urban growth area but directly adjacent to it, if you like, and then the price of in globo—that is, undeveloped—residential land that was also adjacent to the growth area to give us an indication of the difference between rural land in this vicinity and in globo residential land. The figures—and I am trying to remember them—indicate that rural land was worth about \$1.50 or \$2 per square metre and in globo residential land was worth about \$25 or \$26 per square metre. To cut a long story short, as soon as we designated the Armstrong Creek urban growth area as being the place where urban development would occur, the value of the land in that area escalated by approximately \$400 million in aggregate, overnight. That is a very conservative estimate given that that area has been nominated in various documents as being Geelong's future urban growth area in the past 25 years. So there has already been considerable appreciation in land values. If, for example, under the LPC, that land had been acquired in 1970 at rural land values, banked but still deployed in some productive manner, and then released today for urban development, we would not be sitting here with any issues over the funding of infrastructure in that area.

Senator SIEWERT—I would like to look at what else you are doing in terms of housing affordability. Around Australia we have had quite interesting submissions about different land tenure types, for example, that facilitate low-cost development of more affordable housing—co-ops and things like that. What sorts of planning mechanisms are you using to allow for alternative tenure types? I think you heard the little bit of evidence this morning, and it certainly replicated what we have heard elsewhere, that said there is strong concern that developers are building the mansion type developments, the four bedroom, two bathrooms, and what is needed also is two bedrooms, one bathroom, and three bedrooms, one bathroom to meet different housing needs. What is the city doing about planning for that?

Mr Brenton—We have recently rewritten our planning scheme and in doing so completed a number of different land use strategies. One of the biggest of those was the completion of a new housing diversity strategy, which was adopted by council in July 2007. The whole premise of that strategy, as indicated by its name, is encouraging the development of a more diverse range of housing types and, in particular, the development of more medium- and high-density housing that is close to urban services and lifestyle destinations.

Senator SIEWERT—How do you ensure that some of that is low cost? I am from Perth; we have done the same thing in Perth but it is at the very high end of the market and there is no way that lower income families can afford to live in those areas. Are you ensuring some of that is low cost, and how do you do that?

Mr Brenton—Under the current legislative framework in Victoria we have no explicit mechanism to ensure that some of that housing is provided as affordable housing, and by that I mean housing that is affordable to those in, say, the bottom two quintiles of the income distribution. We have strongly advocated for the introduction of some kind of regulatory mechanism which enables us to require the provision of affordable housing as part of those sorts of developments or the payment of cash in lieu, which I am sure you have heard about. These are inclusionary zoning type mechanisms. The fact is that in Victoria there is no legislative provision to actually mandate that requirement at present. We can engage in ad hoc negotiations with developers, which we do. In cases where the rezoning of land is involved we can leverage off the need for that rezoning, if you like. But these are all ad hoc and relatively non-transparent processes. We would strongly encourage—as a second order matter, though, relevant to betterment capture—

Senator SIEWERT—So we don't forget that one!

Mr Brenton—We would strongly encourage the introduction of a mechanism which allowed us to require the provision of affordable housing, and that housing would probably be transferred to be managed and delivered by a registered housing association with clear objectives around affordable housing provision.

Senator SIEWERT—What percentage of public housing do you have in your area?

Ms Wager—It has reduced. We are the highest non-metropolitan region but we were the third highest metropolitan region in the state. In terms of public housing, we have a broad acre estate that you would have passed through on the way into Geelong and a couple of pockets of broad acre estates. There were about 2,500 units across the municipality, of a total of 74,000 units in the area.

Senator SIEWERT—A unit being one residence; not necessarily a unit.

Ms Wager—That is right—not necessarily units.

Senator SIEWERT—Properties.

Ms Wager—No, some of those will add to being individual beds. So in terms of public housing, it will be on a room basis. So if we are talking about a rooming house that had 20 rooms—

Senator SIEWERT—That would be 20 units.

Ms Wager—Yes.

Senator SIEWERT—Okay.

Ms Wager—My understanding is that that has not changed. That is the way that they calculate it.

Senator SIEWERT—You made a comment—I might have misheard you—that it has gone down.

Ms Wager—There was substantial sell-off of public housing through the 1990s, in particular, where the poorer quality stock was sold off, and Geelong, like a number of communities, is experiencing either people who have bought poor quality stock and are on lower incomes and are having difficulty maintaining and improving that stock or single owners coming in and buying up cheaper properties and then renting them out at a higher level.

Just to add to some of the stuff Cameron was talking about before, there is actually a regional task force through G21, which is a strategic body in the region that brings together local government, government and non-government organisations to plan and work collaboratively around addressing issues. A task force has been operating for about 12 months and is looking at planning opportunities in terms of local government—for example, there is no housing association in this region, so it is looking at the opportunity to establish or develop a partnership with a registered housing association and at our opportunities to provide support to those agencies that are housing providers in the region. None of the five local governments in this region have traditionally been providers. We have had a diminishing level of public housing stock across the region, or no stock, and fairly limited opportunities around cooperative housing. We have CERC, who I believe are doing a presentation, in the region and also we have a rental housing cooperative in the north of Geelong, but there are limited different opportunities around housing.

CHAIR—Thank you both very much for appearing today on behalf of the City of Greater Geelong council. Mr Brenton, do you actually have a physical submission you wish to pass to the committee?

Mr Brenton—Yes, we do.

CHAIR—Okay. There are a couple of other matters which I think you indicated you would take on notice in terms of providing a consultant's report and so on.

Mr Brenton—Yes, we will provide that.

CHAIR—Thank you. We appreciate your assistance today.

Mr Brenton—Thank you very much.

[11.58 am]

INCERTI, Ms Kate, Social Worker, Housing Information and Support, City of Port Phillip

SPIVAK, Mr Gary, Housing Development Officer, City of Port Phillip

CHAIR—Welcome. We have the City of Port Phillip's submission. Thank you for forwarding that to the committee. Would you like to make an opening statement and then we will go to questions after that?

Mr Spivak—Thank you. I would first like to acknowledge the traditional owners of the land on which we meet today. Port Phillip is a largely gentrified, inner urban municipality of Melbourne. In response to this gentrification, council became a direct provider and developer of community housing in 1985, and over a 23-year period became the largest local government housing provider in Australia. In 2006, council divested its roles as developer and owner of the program to its program partner, the Port Phillip Housing Association, which is one of the registered housing associations in Victoria under the Port Phillip Housing Trust, but remained a significant cash and land contributor to the trust. In addition, council supports vulnerable households through intensive housing casework assistance, which Kate provides to the community. We have also been a facilitator of public housing and a general encourager, through the planning system, where we can, of affordable private rental housing.

I turn now to the solutions. Often, local government has been an inhibitor of affordable housing outcomes. Local government has a poor track record, in general, on supporting affordability. To minimise this and establish uniform policy settings across Australia, local government should be required to: prepare housing strategies that provide a minimum level of support for affordable and social housing to meet documented housing needs; dedicate staff resources to preparing and implementing affordable and social housing policy; identify areas where affordable and social housing is encouraged and will be supported through the statutory planning process; to encourage and support specific, well-designed, affordable and social housing projects through the statutory planning process; identify opportunities for affordable and social housing land assembly and development, including local government land, such as airspace development over car parks, which local government owns a lot of; and incorporate these roles into the broader local government policy framework such as council or corporate plans and municipal planning schemes—in particular, the municipal strategic statements in Victoria.

Our second proposal is that local government, in conjunction with the state and Commonwealth governments, should remove barriers to achieving affordable housing. This should be done firstly through, as I have mentioned, the provision of uniform housing strategies, which should be a requirement on local governments. Secondly, it should be done through the removal of restrictive state legislative barriers to local government involvement in affordable social housing partnerships or joint ventures, and I refer to section 193 of the Local Government Act in particular, which I can come back to later on if you like. Thirdly, it should be done through being able to use planning mechanisms supported by state planning schemes, laws or guidelines to require private developers to contribute towards the provision of affordable or social housing through the planning permit process—and I particularly refer to inclusionary zoning schemes there. Fourthly, local governments' lack of representation on the Commonwealth-State Housing Agreement renegotiations and on other forums relating to affordable housing policy and program development is a shortcoming, so I think local government should have a seat at the table with the state and Commonwealth governments.

The third area I would like to look at is incentives for private rental housing. The council supports the Commonwealth government's national affordable rental scheme as a means of addressing the national affordable housing crisis through well-targeted subsidies to private investors, thus addressing the growing needs of households unable to afford homeownership who, in turn, place pressures on rental affordability. We also support normalising rental housing as a more attractive and secure tenure in its own right, as is more common in many European countries. And we encourage supporting partnerships between private developers and housing associations. In providing that support, however, it is important that there is enough flexibility to allow housing associations, who are registered and highly regulated, to not just be managers of subsidised private rental housing but also receive the subsidies in their own rights as developers. And, in many states, housing associations are emerging as active developers, including in Victoria.

Many housing associations have the capacity to develop mixed private and community housing or lower-to-moderate-income housing, including housing for low-income wage earners. So they are not just targeting the same sort of people who live in public housing. And housing associations can provide affordable housing in

perpetuity under a regulated system—and that is a big advantage. This provides the opportunity to investigate incentives that can be provided by local government through: rate relief; reduced car parking requirements; and streamlining approval of planning permits, subject to good design and through identification of areas where higher density development for affordable and social housing will be supported—not ‘may be’ but ‘will be’ supported.

The fourth area I will cover is that of housing needs for low-income wage earners. This is an emerging area of research and investigation. Authoritative research—such as that by Yates et al under the AHURI research papers—has not found a clear link between housing affordability, occupation and housing location. But this is an important area, warranting monitoring, and one which may have implications for employment and economic development in the future. I can expand on that later if you like, because there are some emerging trends that require further monitoring.

The last area I would like to cover is that of housing design standards. Council is supportive of the inclusion of two areas of housing design enhancement: ecologically sustainable design in the areas of energy efficiency, water efficiency and recycling, and requirements on developers of new housing to provide accessible and adaptable housing to meet the needs of persons with all abilities. There will be costs, to some degree, to these requirements but they alone are not considered to be significant barriers to housing affordability, for the same reason put by Cameron Brenton before: those costs will be absorbed, because there is a lot of competition between developers and those features are coming to be required across the board by state and local governments. And they are important enough in themselves to warrant their inclusion for reasons other than issues of housing cost.

CHAIR—Thank you very much, Mr Spivak. Ms Incerti, do you wish to add anything?

Ms Incerti—No.

CHAIR—We will go to questions from my colleagues then.

Senator SIEWERT—My first question is about your solution No. 1, where you talk about local government and say that local government should be required to prepare housing strategies. Who should require that? Are you saying that the state government should require local government? Who should be responsible for ensuring that that is a function of local government?

Mr Spivak—I think it is a requirement that Commonwealth and state governments should be making as a priority, because not all state governments are prepared to consider a uniform housing strategy requirement on local governments. I think it needs to be a discussion in the context of a renegotiated Commonwealth-State Housing Agreement, or whatever it is going to be called in the future, to provide a uniform policy setting for all levels of government. The incentive for local government is that if it has a seat at the table in the discussions then it should be prepared to also make a contribution. And this is not an onerous contribution. We are not suggesting a requirement that all local government become developers, as the City of Port Phillip has been in the past. All we are suggesting is that they have a supportive housing policy to enable private developers, housing associations and state housing authorities to do their work properly.

Senator SIEWERT—I am interested in all of your submission, but I can only ask a few questions. Could you explain in more detail the issue around working with state and Commonwealth governments to remove barriers to achieving affordable housing and the issue around removing the state legislative barriers? I know it will be specific to Victoria—and obviously as we are going around each of the states there are specific things happening in each of the states that affect housing affordability—but I would just like to understand a little bit more about what you mean in point 2.

Mr Spivak—For any local government interested in actively supporting affordable housing development, or undertaking a joint venture in its own right with a housing association or with the Office of Housing or with a private developer, in most cases it is technically illegal. Section 193 of the Local Government Act (Victoria) prohibits local government from entering into arrangements that could be a joint venture, a partnership, profit sharing, a union of interest, a cooperation or a reciprocal concession without the approval of the Minister for Local Government and the Treasurer unless that arrangement was entered into with another local government—in other words, a joint venture with another local government is permissible. However, since the early eighties local government has been undertaking joint ventures and the Office of Local Government has cast a blind eye over that because clearly the intent of section 193 was not to prevent such joint ventures occurring. But it is there nonetheless. While the intent of section 193 is to stop local government being unduly risky in its entrepreneurial activity—and history is littered with examples of local governments that have

undertaken failed investment and development schemes, and we clearly do not want to open that up again and risk that sort of thing happening—it should be tempered to enable reasonable joint ventures to occur to achieve affordable housing. There may be similar legislative barriers in other states, but they need to be investigated.

Senator SIEWERT—In other words, if you wanted to enter into joint ventures or work with community housing associations, particularly around alternative tenure types—and there are some quite exciting proposals and alternative tenure types being suggested around Australia—that provision may make it difficult for you to be as creative as you might want to be?

Mr Spivak—If they were to challenge, yes. If somebody worked out that it is challengeable and they wanted to oppose the project because they oppose affordable housing, then they technically could use that. Then the issue of the intent of that section would need to be resolved, and that could include local government providing land, discounting land or seeking a return from some contribution in terms of nomination rights, because section 193 is so broad that it could really cover anything, potentially.

Senator SIEWERT—When we were in Campbelltown in New South Wales, the University of Western Sydney gave us a presentation around different alternative tenure types and different housing alternatives for affordable housing. One of those was a lands trust. I was particularly attracted to that one, where some organisation owns the land and houses are built on the land, so basically you do not pay the cost of the land when you are building your house. And of course when you come to sell it you do not make any gains on the value of the land, only on the house. It seems to me that this is an area that local government could participate in as owners of land, for example. It seems to me that the provisions you have been talking about may stop that particular approach to affordable housing.

Mr Spivak—It is not that it has, but there is always a potential. It is just an anomaly that needs to be sorted out so that it is never a question in the back of local governments' minds. There are enough barriers in front of local governments to get involved in affordable housing without some smart lawyer saying 'Well, what about section 193 of the Local Government Act.' There is a lot of process you have to go through to address that and local governments say 'Oh well, it's all too difficult.' Because they already find it very difficult. There are so many reasons why local governments are not major participants in affordable housing in any meaningful way. I think that having a legal barrier is just not helpful.

Senator SIEWERT—In the city of Port Phillip, what mechanisms have you been using? Have you been using any mechanisms with developers to actually encourage them to build more affordable housing?

Mr Spivak—We cannot actually require developers to develop housing that is sold or rented at a discounted rate unless we have some leverage capacity because we are rezoning land or providing our own land, as we did with the St Kilda depot site for the Inkerman Oasis development, where we got a return of 28 units of community housing at no cost from the developer. We owned the land and that was a very valuable incentive for the developer. Other than that, we can only encourage, through the planning process, the provision of more basic housing, cheaper housing, and discourage all the frills and luxury items that developers often put on—encourage them to provide a diversity of housing forms. Unlike a lot of outer suburban municipalities, we do not have the problem of too much large housing and not enough small housing sizes. We have developers providing a lot of smaller housing sizes because the market is saying to build one-bedroom, one and a half bedroom and, at the most, two-bedroom units. That is what is in demand. The household size in inner suburban municipalities is quite small. So there is a demand for that. In fact, sometimes there is not enough diversity of the larger housing sizes, so we have the opposite problem that outer suburban municipalities can have.

So it is through requiring more basic development standards in the planning permit process that we can encourage developers to provide housing that is a bit cheaper. In activity centres or in areas that are well serviced by public transport we can encourage car-free developments or reduced-car-level developments, which can often make developments viable where they were not before. It can reduce the costs of developments significantly and can have a meaningful influence on the cost of units as a result. Unfortunately, they can be challenged. There was a development in Carlyle Street activity centre—right on a tram line and very close to a railway station and a shopping centre—that was challenged by the local community. It was a private development. The community opposed it because they were concerned about traffic and parking implications in their neighbourhood, and the Victorian Civil and Administrative Tribunal found in their favour, against the intent and the objectives of Melbourne 2030, which was quite shocking. And they are meant to be bound by the objectives of Melbourne 2030.

So it does not mean that we can always achieve what we want to, but we are working towards more basic housing requirements so that there is more choice provided by developers. Some of them are actually coming up with products that are more affordable for private homeownership. We also actively encourage social housing providers through things like dispensations on car parking, recognising the low level and lack of affordability of car ownership for social and housing tenants; providing land free of charge to Port Phillip Housing Association; and streamlining approval processes so that we encourage affordable housing in the social housing sector.

Senator MOORE—I am just checking on the two positions that you have identified. Do all city councils and local authorities have similar positions to yours?

Ms Incerti—No.

Senator MOORE—That was a giveaway; I just wanted to get it on record.

Ms Incerti—I guess the difference is that, as we often say to people, Gary has been involved in building them; I am involved in filling them. So there is a recognition of that transition. I work predominantly with older private renters. I think one of you said you had had a couple of inquiries in your office; in the inner south area, between another worker and me we had 200 inquiries in February.

Senator MOORE—From people who were in housing crisis?

Ms Incerti—In extreme housing crisis—long-term traditional renters of the area who are getting moved out of the area. That is a critical issue. A number of local governments do have a variety of responses to the issue in-house, or work to support other programs that might be Commonwealth or state funded. But it is different in different areas, and both our positions are council funded; they are not funded through the HACC program or one of those other programs.

Mr Spivak—Most councils do not have dedicated staff positions like ours. Kate actually goes out and does intensive casework support for people. She is not desk-bound. That is invaluable to the community. Most housing support agencies do not even have those sorts of resources. Virtually no local governments have dedicated housing development officers. They are usually in a position where that is shared with other roles, such as social planning or community development and planning. Therefore, they cannot become experts in the housing area themselves. They do not have the time. It often plays second fiddle to other roles that they have. So they cannot give their councils confidence through advice as to how to become serious players in encouraging and supporting affordable housing in their municipality.

Senator MOORE—And you have created networks with your neighbouring councils as well. I see from the submission that similar issues are being raised around that whole impact in inner city Melbourne.

Mr Spivak—Yes. We have become very active through the Inner Regional Housing Statement under Melbourne 2030, which is the statement where we have to indicate how we are complying with housing objectives under Melbourne 2030, and through the Inner Melbourne Action Plan. That involves collaboration between the cities of Melbourne, Yarra, Stonnington and Port Phillip, and we have identified and are implementing a series of housing objectives, a number of which are affordable housing objectives—including the investigation of an inclusionary zoning scheme across the whole inner region, which we are perhaps two-thirds of the way through developing.

Senator MOORE—There are two areas I want to follow up on. One is the section about the Local Government Act—and I have to admit I have not read the Victorian Local Government Act. When you were explaining the prohibitions that were in there, there was a line saying that you could not do things without the approval of the Treasurer and the Minister for Local Government. Allowing for the intricacies of negotiating such approvals through two departments of state government, that would still be the option, wouldn't it? Have any activities that people wanted to do been prohibitively stopped by either of those ministries?

Mr Spivak—I am not aware of specific cases where that has occurred. If that is an issue then it is either ignored because even the state government ignores it or they do not pursue the matter—or it might not be pursued for a range of reasons and that is just one of them.

Senator MOORE—The other area was section 4, where you mentioned the issue of economic development and employment, which are incredibly important, and said, 'I can expand on this if you require.' That is too tempting, Mr Spivak. What did you want to tell us about that area?

Mr Spivak—I think that is the area where I was referring to low-income wage earners. Judy Yates and other researchers from the AHURI research centres have explored the issue of housing affordability,

occupation and location in Australia and have not found a conclusive link between skill shortages and housing affordability problems. They found that such problems were an issue of low income rather than of occupation and that other factors such as socio-demographics were more relevant than occupation in explaining housing location. However, it is an area that we think requires ongoing research and review, as anecdotal information is indicating a growing labour shortage for unskilled locations. How much that is linked to housing affordability is unclear. The Yates research has not found a conclusive link yet, but I think over time it will emerge.

Ms Incerti—One of the things that we are particularly noticing is that we are finding it very difficult to retain our home and community care staff; our numbers are down. We are also finding it very difficult to get childcare staff. We have a lot of local businesses that are finding it difficult to fill shifts in hospitality, and it is a very high tourism area with a lot of entertainment precincts. There are lots of signs in local shops for staff wanted. Students who want to live and study in the area are also finding it quite difficult to do that part-time casualised work.

Senator MOORE—Is this an area where people did gather and share accommodation and live cheaply?

Ms Incerti—Yes.

Senator MOORE—And that is not happening as much anymore?

Ms Incerti—No. I am more involved with the aged and disability team area of council, and we are finding the shortage is biting in attendant care. That is also starting to affect some of the community aged-care providers. They are noticing that it is very hard to cover shifts, even though the person has that individualised funding attached to their care and their household. This goes for families as well. They are finding it very difficult to get all the hours they have been allotted covered, because people are having to travel for two hours to get to those jobs. Some of the HACC funding covers some of the travel costs between clients, and some of the HACC funding does not. What we are finding is that people in those low-paid, semi-skilled positions are having to subsidise that work themselves, out of that low income, by already travelling some distance to the area of work but also to some degree to some of the work between clients.

Senator MOORE—That is part of the research that your area is doing but it is not notated yet?

Ms Incerti—It is potentially something that we think needs to be fed up to the local regional officers and done more statistically, particularly because our ageing population has plateaued a little at the moment but is seen as increasing again by 2020.

CHAIR—Let me go to the part of your submission that talks about the shortage of construction workers. You particularly refer to the buoyant inner-urban housing market. How is council finding that affects its operations and the work that it is trying to do in this area?

Mr Spivak—It does not directly affect our work because, for a start, we are not a direct developer. We tendered for builders to construct community housing when we were a direct developer, and now it is the role of the Port Phillip Housing Association Ltd to undertake that role. It will affect the ability of developers to construct housing at a cost which is affordable for the providers of it. In other words, if they say the labour cost is too high—and that is in part because we have to offer higher rates to attract people to the industry, and skilled tradespeople are, as you know, in great shortage—then that puts up their price and it means that we do not have enough funds, we have to spend more money on the cost of the project and there is less money to go around for other projects. So indirectly it has that effect on providers of community housing.

CHAIR—As there are no further questions—there are probably lots, but we have not got the time—we thank you both for appearing today. Thank you for the submission which you provided to the committee and for your presentation this morning.

Mr Spivak—Thank you.

Ms Incerti—Thank you.

[12.26 pm]

BUTTERWORTH, Dr Iain Mark, Faculty of Health, Medicine, Nursing and Behavioural Sciences, Deakin University

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

Dr Butterworth—I am here in my capacity as a coordinator of a formal partnership that exists between Deakin University's Waterfront campus and the Department of Human Services, which is the major health and housing bureaucracy in Victoria. There has been a formal partnership for the last 10 years.

CHAIR—Thank you very much. I invite you to make an opening statement and then we will go to questions from members of the committee after that.

Dr Butterworth—I have to preface this by saying that I was invited to participate in this just a few days ago. It is a great honour to be here, but I have not had a chance to submit anything formal. I have done some research in this area on older people and their urban-planning requirements. My interest is as a community psychologist. I have been looking at the intersection between health, wellbeing and urban planning for some time. But I have been mostly focusing on providing workforce development to policymakers and practitioners in both the health and urban-planning portfolio areas in local government and elsewhere.

You may well have already heard about the social determinants of health. I guess the angle that we come from in this field is that when you are looking at housing affordability you need to do so in the context of all the other issues that impact on people's lives at any one time, especially around the importance of place based planning, where you need to look at the whole community, how the whole community works, the impact of education, employment, access to healthy food, access to services, access to meaningful local employment that provides skills and social networks, the social safety net for people, the provision of transport and so on. Where I am coming from is that housing affordability is part of that very wide web of impacts on people's lives and you need to look at housing affordability in the context of the overall sustainability of a community.

My area of teaching and research has been linked in with the World Health Organisation's Healthy Cities approach, which is that you ultimately measure the overall wellbeing of a whole community based on the extent to which people can find access to those resources and can participate in the governance and improvement of their local communities. The World Health Organisation, for the last 20 years, has been advocating that to have a healthy city you need to focus on environmental sustainability, a strong socially supportive community and a high degree of public participation in decision making—and helping people meet their basic needs is paramount; we cannot evolve as a society if people cannot find access to fresh food, water, shelter, income, safety and so forth. You really need a vital economy that helps integrate all those components, and ultimately you need an urban plan that builds all those things into a city.

Corio-Norlane is an area of northern Geelong of quite significant social deprivation and disadvantage, and the Department of Human Services has been working in collaboration with a wide range of local governments and other stakeholders, especially the community members, in a project called Neighbourhood Renewal that you might have heard about. Essentially, it is a place based approach to helping citizens learn the skills to participate more meaningfully in the governance of their local communities and play a lead role in deciding the vision for their community and participating in the decision making—for example, DHS has got a \$40 million budget to try and revitalise those really disadvantaged suburbs that you may have driven into on your way into Geelong.

The issues that people are facing there are systemic disadvantage, high levels of public housing, low income, a lot of people renting from private renters who are absentee landlords. There is a concentration of poverty in those areas. There is a stigma according to the postcode which people live in, and they are often locked out of economic participation. When you start to factor in things like climate change, for example, on those communities, you have also got increasing utility costs and increases in the cost of food and fuel. The research shows that places with very poor affordable housing or very poor public housing, blighted suburbs, often have the highest concentration of fast food outlets so, again, housing affordability is made more difficult by the presence of expensive food and the fact that it is very difficult for people to travel to places. The public transport provision is poor and, again, climate change and all these other issues are going to impact on those things even more.

The Neighbourhood Renewal folks argue that we can try to help people maintain the costs of maintaining their mortgage or rent if we can improve their access to public transport and local employment et cetera so that

at least, if they are in our current economic climate spending more on their housing, we can build in other ways that they can save money by making places more walkable and they do not have to travel so far to take the children to school or find work.

The healthy city model using Neighbourhood Renewal is an example. Health and wellbeing can only occur when we have a vibrant community, a sustainable environment and a prosperous economy. The equity aspect of the economy is what is really impacting on people now in terms of housing affordability, and it is impacting on community life. In this Senate inquiry you have to focus on the link between the ultimate health of a community and the fact that the economy is making the disparity much wider in terms of the haves and have-nots. So the work that we have been doing with the Department of Human Services, for example, is to try and help look at regional governance, looking at leadership, helping communities shape their own future, helping to connect people better with resources and creating a sense of community. Those are some of the key elements of the Neighbourhood Renewal program along with the significant state investment in capital works for revitalising neighbourhoods.

At the moment, I am trying to broker relations between the local architecture and building school and Neighbourhood Renewal so that we can build up the expertise of local planners and architects working in collaboration with communities. Clearly, these are long-term strategies which ultimately might feed into the local economy and local prosperity, but, as I see it, there is a significant national policy agenda that needs to be addressed. Housing affordability in some ways is a manifestation of the negative-gearing policies and the fact that a lot of people are investing in investment properties, which puts a lot of pressure on local people to pay increased rents and so on and so forth—sorry, I have lost my economic argument there. I am trying to say it is a systems issue and, if you are trying to have a commitment to affordable housing, there needs to be a political commitment at the highest levels of government to that based on a vision for a healthy city and community. You have to involve a wide range of sectors, not just the housing sector but economic policy makers, local communities, urban design. We need a national policy on sustainable planning. We need integrated efforts between transport, health and economists to work better together, which is the effort that I have been involved in.

Ultimately, we need a policy environment that really supports all that and, until we have economic policies that build affordability into housing and ensure that sustainable transport and sustainable urban design are mandated, we are still going to be on the back foot. There is a real need, for example, if people are going to meet the costs of their housing better, for a policy environment that encourages energy reduction in the household. A lot of people are buying cheap houses on the edge of a city and then finding that they are miles from anywhere and that their house has no solar orientation and very poor insulation, so they end up paying more in utilities over the long haul. You end up paying more for mental health services for people that become socially isolated, distressed and, possibly, homeless.

All these things are interconnected—if you are going to look at the housing budget, you need to look at the health budget, the transport budget and the urban planning budget as well. We need to find ways to integrate the costs and benefits of all these policy environments so there is a closed loop accounting process. That is pretty much all I can think of to say for my opening statement, and I am happy to answer questions.

CHAIR—Thank you very much for those observations.

Senator MOORE—In the work that you have done—and it seems to be a coordination aspect of identifying with the World Health Organisation process all the things that make a well community—is the issue of insecurity of housing one that you have faced front on? Is it something that comes up?

Dr Butterworth—We have provided training to about 150 people from across Australia and South-East Asia, including local governments—I noticed you had some colleagues from Port Phillip.

Senator MOORE—Yes.

Dr Butterworth—A lot of local government practitioners have come to these sorts of workforce development sessions, often working from LGAs that have high levels of housing insecurity, for example. So I have not dealt with it directly. Before I came to Deakin I was working for the Department of Human Services, where I was working with local governments around municipal public health planning, and a lot of local governments throughout Victoria would have identified food insecurity, homelessness or home insecurity as specific health issues that they wanted to address through their municipal health plan. But typically a lot of the efforts that I have made would be to encourage those local government practitioners to find ways to partner and work more effectively across local governments: linking in with the urban planning team and the local

economic team, for example, so that the decisions around housing could be linked in with a broader strategy about building up the overall capacity of that local government.

Senator MOORE—And there is also the issue of effective planning, which came out in your evidence. All the way through, the word ‘planning’ was used a lot.

Dr Butterworth—Absolutely. So often we find communities where the consequences of poor planning are felt downstream. We have a lot of pressure on the Brumby government, for example, to release more land ahead of time on the urban fringes of Melbourne.

Senator MOORE—Yes.

Dr Butterworth—To make the best use of that opportunity, you need to put the infrastructure in first. You need to put in the railway, the public transport, the bus routes, the schools and the food outlets. Ultimately, you need to try to make sure you are not gobbling up agricultural land that otherwise would be providing fresh food. Often we rush into a policy decision based on express short-term need, which is maybe linked to political leverage, and then we find down the track that people are stuck in a suburb with no public housing and very poor access to water et cetera.

So the goal is to try and help people think long term whilst they make their planning decisions. For example, health and social impact assessment applied at a policy level is an attempt to think about the unanticipated negative and positive consequences of a policy decision. If you look at the London Plan, which is the major urban planning framework for London, it is really fantastic. It factors in health and social impact across all policy domains, and it provides links between that urban planning framework and all the other planning frameworks that exist in the Greater London Council—if that is still what it is called.

In fact, there is even a deeper form of policy analysis called integrated impact assessment, which goes beyond health and social impacts to look at environmental, economic and other things. I really think that we are reaching crunch time with these issues—climate change et cetera. We cannot afford the luxury of externalising those costs and worrying about them down the track. We have to bring the long-term consequences into our short-term thinking. It is almost like the efforts of seatbelt advertising and anticigarette advertising. We are campaigning to remind the individual person about the possible long-term effects of their behaviour in the short term. We have to bring the long term back. We have to do that at a social level now. We cannot afford the luxury of thinking that someone else will pick up the tab later on. My suggestion would be that we embrace health-social integrated impact assessments up front and apply them to every decision—not just housing but economy, transport, health, urban planning et cetera—and I think we need a national policy framework for that to happen. I think there has been a loss of national focus over the years around cities’ urban planning and so forth. It has been devolved to the states, and I think what we have now is a bit of a mess.

Senator MOORE—That has come up a bit in the evidence that we have received. One of the questions I have asked the academics who have come to this inquiry, and I think I have caught most of them, is whether there has been any increased interest in their area and awareness of these issues—the need for coordination, the need for research into housing, the need for the wellbeing concept that your research is based on and so on—in recent years.

Dr Butterworth—I certainly believe so. What is exciting for me personally is that I can start to see the evidence of the people that have come to the short courses that I have been running.

Senator MOORE—What is a short course?

Dr Butterworth—It is a four-day intensive, where very busy people make the investment to step out of their work role for a few days and actually meet with a whole range of people. The idea is to bring people together from different sectors. So you get the private developers alongside the architects, the public health people, the architecture students and so on. It is to try and create the setting in which people work in real life, which is usually interdisciplinary. It is often the first chance that people coming, say, from local government get to work with their colleagues, who might be from planning or transport. Because we end up working in very siloed ways, due to work pressures and so forth, often those kinds of settings are a chance to get people together to reflect collectively and bring in their various perspectives. In some ways, that reflects the sort of policy environment we need. We need that interdisciplinary thinking at a policy level. Some of those people are now making change, and here in the Barwon region we have the regional managers forum, which exists throughout Victoria. The people at that level are starting to think about healthy cities concepts as a way to drive their governance. At the end of the day, for me, it is about governance. It is about how we make

decisions, how we collaborate in making those decisions and how we integrate the costs and benefits from other policy environments and other disciplines into our thinking process.

Senator MOORE—Have those courses been popular?

Dr Butterworth—They have, yes; I have just come back from running one in New Zealand. That model has been around for 20 years. Maybe the time has come for this model to be embraced at much more of a strategic level. I think a lot of health promotion people, despite their best efforts, have been targeting a layer of management which has a lot of churn—for example, the urban-planning sector. Urban planners are leaving that sector in droves because of the stress of dealing with statutes. Local government planners are often the meat in the sandwich between developers that want to make the best use of a sunset clause, such as the one put into Melbourne 2030, and complaints from residents who are worried about loss of amenity. That all has to happen in a very quick time frame, and the Victorian Civil and Administrative Tribunal, which is put over the top of that, adds extra pressure. I just lost my train of thought; I am sorry.

Senator MOORE—I think I got the point. It was to get on record the issue of the kind of research you are doing with training. That was what I was asking.

Dr Butterworth—What is exciting, too, is that I am part of the legislative review panel of the Victorian minister for transport, and some of this healthy cities thinking is making an impact at that level. I am gratified that the concepts are being discussed.

Senator MOORE—Thank you.

Senator SIEWERT—When we were in, I think, Sydney, one of the presenters—I think it was Julian Disney—suggested that one of the best uses for one of the housing buckets, the infrastructure one, was to build transport, because that is highly consistent with the issues you were talking about in that it is not just the issues around the cost of housing; it is all the other issues that go with it. His point of view was that we should be investing in public transport. What would your comment be on that?

Dr Butterworth—I would have to see how much money was available first before agreeing with him wholeheartedly. I can see that he is trying to provide an interdisciplinary approach to that. I suppose that at first blush I would prefer to see him want to invest in community housing associations—maybe invest money in helping communities build up more locally run and managed options for housing. I would not want transport to be put up against housing, especially when so much of the transport budget is about roads. There is a ton of money—

Senator SIEWERT—He was very clear about it being public transport—

Dr Butterworth—Okay. What I am trying to say is that I think it would be better if some of the money that was allocated to roads was siphoned off and put into public transport and the housing budget was left intact but the housing be linked in with effective transport planning. I would really support that.

Senator SIEWERT—Yes. That was one of the points he was making too—that you needed to have an integrated approach, and building houses on the fringes of cities without providing infrastructure, particularly public transport, was—

Dr Butterworth—Crazy.

Senator SIEWERT—Crazy—I was trying to think of another word but ‘crazy’ is appropriate. It seems to me that a lot of what you have been talking about fits very closely with the government’s new social inclusion. I should preface this with what I would see as social inclusion, not necessarily what the government sees as social inclusion, because I do not necessarily agree with the government and the agenda for social inclusion. It does seem to me that the holistic approach you are talking about is consistent with a social inclusion agenda—the broader view of social inclusion. Have you been engaged with the federal government’s new social inclusion agenda?

Dr Butterworth—I have not had a chance to digest it yet, no. I did see an invitation to go to the summit but I did not manage to get there. But I would be delighted if that were the case—that there was a strong social inclusion agenda. You have this interlocking model there. It is a very simple model but it has some effectiveness in terms of explaining very complex interrelated issues. So when you are talking about social inclusion, I guess it is a combination of equity and conviviality. A socially inclusive place is one where lots of different people can use the space or the setting or the building. What this model encourages policy makers to do is to think about how health and wellbeing and quality of life—because that is ultimately what health is—are affected by policy decisions across the areas of conviviality; liveability, which is the built environment;

viability, which Trevor Hancock, the author of this, described as ecological toxicity, or the absence of that; environment sustainability, which is the intersection between economy and the environment; and prosperity.

You could apply that lens with those six very broad dimensions to any policy decision. In the training I do, we get people to think about housing, energy, water and food, and we invite them to think about identifying policy initiatives that build up conviviality, equity, prosperity, sustainability, viability and liveability. It is actually possible to think about a raft of measures that do that, and it requires people to get out of their siloed discipline and think about how any policy has impacts across those dimensions and how you can build up ecological, social and environmental capital across those dimensions. So, yes, if the federal government does have a social inclusion agenda, I am delighted, and I would encourage them to think about how social inclusion is also an expression of a healthy, sustainable community. You cannot look at that in isolation of those other dimensions. You can build up social inclusion through addressing environmental issues, economic issues or community issues. It is not just a community thing that community people do; it is something that the transport people, the hardcore economists—everyone—needs to think about: how their work impacts on social inclusion.

CHAIR—I like the idea of a conviviality policy—I think we might adopt that in the Senate; it might make life interesting. Dr Butterworth, the current government has pursued some initiatives in recent times, including the National Rental Affordability Scheme and the Housing Affordability Fund—that was the one Senator Siewert was broadly referring to—which is about a \$500 million investment over five years to assist at a number of levels not just in infrastructure but it also, in some of the references to it but not this one, refers to speeding up planning processes and things like that. So there is that. There is the National Rental Affordability Scheme, which is about constructing 50,000 new affordable homes over five years by providing breaks to investors through state and local government. There is the first home owners account initiative and, of course, the ongoing First Home Owner Grant scheme. Do you have any observations about how they fit within your studies and the work that you do and whether they are useful initiatives?

Dr Butterworth—They all sound great. I have not had time to prepare and look through those things. I guess it is to what extent they are integrated into an overall vision of how we want our society to work. The important thing is finding out how all those things engage with local communities and how, for example, if there is a large amount of money to be spent on investing in affordable housing the effective way to make that sustainable over the long term. I think that the Neighbourhood Renewal model that has been developed and run in Victoria and possibly elsewhere is very effective because it has been a very long-term process to anchor public spending on public housing in a way that builds up the capacity of that whole community to get involved in identifying their vision and developing the skills to take part in decision making effectively rather than tokenistically so it has to be meaningful. They need to have a vision as to how that housing complements the overall look and feel of a place and how it integrates with schools, services, amenities, parks and transport. Otherwise, it could be a knee-jerk reaction that it may build up capital in one area but it is not actually contributing to the overall sustainability of that community. Does that make sense?

CHAIR—Yes, I understand what you are saying.

Dr Butterworth—I do not know the procedure for inviting Neighbourhood Renewal to speak at this but I certainly can speak to it to the best of my ability. It is a community building initiative and it is around civic governance and civic participation. It is around skill development so that whole communities and individuals living within those communities get better skills to manage their own lives, understand better the economic system and gain skills. A lot of Neighbourhood Renewal initiatives are around building up local employment opportunities linked in with education, linked in with training so that people can develop the skills and networks to identify their own opportunities to get better paying jobs or get jobs in the first instance so that they can meet their own housing needs and costs better. But you need to do that in a supportive policy environment, so at first blush the initiatives you have described sound very good. But I would like to see them integrated into a community building strategy in partnership with the local government sector, for example, in which these initiatives are part of a wide pallet of integrated support mechanisms that are about building up skills and social networks.

CHAIR—Thank you very much for that and for joining us at fairly short notice today. We are grateful for your input and for the information you have been able to provide the committee. If there is anything else that comes to your mind that you think would be of interest to us in the next short while—we are due to report by the middle of June at the very latest—then please feel free to send it on to us.

Dr Butterworth—The Neighbourhood Renewal folks gave me a PowerPoint of their Corio-Norlane Neighbourhood Renewal project—it is just a PowerPoint.

CHAIR—We are very happy to accept that. Thank you very much Dr Butterworth and thanks for your time today.

Proceedings suspended from 12.55 pm to 2.00 pm

ELDRIDGE, Major David John, Territorial Social Program Secretary, Australia Southern Territory, Salvation Army

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

Major Eldridge—I am the Social Program Secretary for our Australian Southern Territory, which, for some obscure region, is the Northern Territory, Western Australia, South Australia, Victoria and Tasmania. It seemed rational at the time, but not so much now!

CHAIR—Thank you for the material that the Salvation Army has provided to the committee. We have your initial document dated March 2008. This afternoon we received one dated April 2008 and some additional lightweight reading material, which we will negotiate with Qantas! Thank you very much for that. Major, I would like to ask you to make an opening statement, and we will go to questions and discussion with the committee after that.

Major Eldridge—I will not go totally through our extended submission, for which I am sure you will all be relieved. I will just say that I feel slightly fraudulent being here today because many areas that affect this inquiry around the economics of housing affordability are not our strong areas. However, clearly, as a large provider of services for homeless people we are very conscious of the interconnectedness of the housing market, so that issues that affect housing affordability at the purchaser level and the homeowner level do flow down into rental housing, the issues of which of course then flow into public housing and homelessness.

We have been trying to get our heads around the issue of early intervention into homelessness, which is clearly well developed in the area of youth homelessness, in that there are programs like Reconnect and state government programs in a number of states about picking up young people at the point of early home leaving. It is not well developed in terms of families, single adults and the aged poor. I suppose our early indication would be that the current housing affordability crisis is a point of early intervention for those areas of homelessness to prevent families in particular falling out of the rental housing market.

For this inquiry, the reason we sent a two-page submission in early was that we had not yet got the data back. We conducted a one-week spot survey in our community support service programs, which are essentially our emergency relief programs across the country, and we got back in what were effectively 1,250 usable surveys. Why I say 'usable' surveys is that, when you are interviewing people and you are asking them about their income and their expenses, it is not easy for them in that setting, where they are coming in to seek emergency relief, to identify their current income and their full expenditure on housing.

Of the 1,250 people surveyed, 122 were homeowners, 578 were in rental properties and 550 were tenants in public housing. This is on page 11 of the submission. Obviously the tenants in public housing have a fixed rate of housing cost, but we did find that homeowners spent 48.8 per cent of their weekly income on housing and people in rental properties spent 53.5 per cent. These figures shocked us a little bit, being so highly over the 30 per cent target which we would like to see as the level of cost for housing as a percentage of income.

We were also a bit surprised that 10 per cent of the people presenting that week were homeowners. This would not normally be the percentage that would access our ER. I would like to be able to say that it used to be two per cent or five per cent, but we have never before surveyed this figure. But the staff who conducted the surveys across the centres were surprised at that figure, because that had not normally represented the percentage of people who presented for services. And I suppose we were a bit surprised at the close to 50 per cent cost for all people.

The implications of that are that, on top of the increasing utility costs across the country, people do not have enough money left for school expenses—that was one that is continually mentioned—food, clothing and other staples of life. That indicates to us that we are in a real crisis situation. Indicatively, we already knew that because of the turn-away rates from SAAP. One in two people presenting for SAAP services do not get accommodation. I think in real terms you are looking at a higher rate than that because some people are just not bothering to approach SAAP services anymore.

Subsequently, we have gone to the Institute of Social Research at Swinburne. We want to work with the team there to have a closer look at how we might design some early intervention programs to support families who are exiting their own home and, in particular, the people who use our services who are unable to survive in rental properties. Obviously in most of the states across our territory there is a long waiting list for public housing.

We would have said in previous years, when there was a more active private rental market, that rental subsidies were a reasonable way to go as expenditure for the Commonwealth government to keep people in housing. But certainly recently it has been a drop in the ocean compared with the costs in some areas and we are increasingly concerned about the variability of housing costs across the country and, of course, the static nature of rental subsidies for people on income support and their inability to buy housing. On top of that, there is just the shortage of available housing.

We find that our system is clogged up in the middle—our SAAP services and our other transitional housing services—and we cannot get people into long-term accommodation. We used to do things like take on people's leases and use that property particularly for young people. Where there was a fairly high turnover of young people, a young person might lease a property from an agent as one of three or four kids in the house and, if that person left, we would often take over the lease, maintain the house and keep that number of young people moving through that house. At the moment we find that, even using the Salvation Army's name, it is very difficult to lease properties at an affordable rate. I think they are some of the issues that are of major concern to us.

In terms of recommendations: we are in favour of a national affordable housing agreement. We think it is a very good idea. We have been concerned about the lack of investment in the Commonwealth-State Housing Agreement and the lack of creativity of that as an approach to providing, in particular, housing access for people on low incomes. So we are in favour of that. We are very concerned about housing related costs. We feel that, when you are looking at what is an affordable percentage of income to go towards housing, those ancillary costs have to be considered—things like utilities. Water rates are increasingly becoming a problem, and we have a fear that those will continue to escalate. I suppose we are seeing an issue around where people can buy housing, if they do. People are so desperate to find a property that they are moving well away from work, if they are in work, or they are moving to areas where work and other services to support their family life are not accessible.

We would like to see some intervention into the marketing of financial products. We find that young people in particular are able to get credit cards in some fairly bizarre circumstances. I would have thought that any rational human being might feel that all we are doing is placing these young people at risk. This is not only young people who would come into our homelessness services; this is young people who use a range of our services. Credit seems to be very accessible. We are concerned about appropriate regulation of financial products. I think that some families are using credit cards to stay in their housing and they are getting themselves into some fairly serious financial difficulties.

Some of our staff feel that consideration should be given to no recourse loans—and I have to be honest and say that I do not know much about no recourse loans. Certainly there was a feeling from some staff for the notion of no recourse loans, similar to those available in some overseas markets—France was mentioned—where the loan seems to be only on the property, and foreclosure on the loan does not mean you lose any other assets that you own. That was mentioned by some of our team as a useful way forward.

We feel there should be a review of the Commonwealth rental assistance program to improve its effectiveness and that the funding levels available under Commonwealth rental assistance should take into account regional differences in the private rental market. I know that sounds like it might be an impossible thing to do, but there are particular cities, particular places, where it is not going to touch the surface in terms of keeping people in their accommodation or buying them any accommodation.

We have had a good look at—we are not participants in—the trial of the HOME Advice Program. It is a pilot program. I think there are only about 10 HOME Advice Programs across the country. It certainly did seem to be a very useful program—talking to some of the providers who have delivered it—in terms of preventing people from falling out of rental housing. They do have some brokerage money. They also have an opportunity to maintain people in their current accommodation and prevent at risk families from becoming homeless. We would like to see that program extended across the country.

We think there should be a continuing policy commitment and a funding expansion of the Supported Accommodation Assistance Program, as a national response to the needs of households at risk and people experiencing homelessness. It is just so clear that the SAAP system has backed up. It is very easy sometimes to blame the providers, but that is a very simplistic analysis of what is going on in SAAP. Good services are finding themselves unable to provide beds at the crisis point and unable to secure beds at the exit points. So we need to really look at how we might support that program and deal with the current affordability crisis.

We think there should be a review of the home purchase assistance program, with a particular focus being given to mortgage relief in situations where people's loan repayments are at risk. And we would like to see some increase in the program funding for community based financial lending services. I know that many of them are only around whitegoods and other smaller loans at the moment, but people have used them wisely. The outcomes of programs like NILS, which I think is administered by Good Shepherd, have been very good for some of the people who use our services.

We would like to see a consistent national framework specific to tenancy legislation. It is quite complex at the moment. We operate in a number of states and there does not seem to be any consistency. And we would really like to see concessions programs across the country to reduce the impact of the rising cost of living and its effect on a household's ability to meet housing expenses.

They are the main recommendations. Most of them actually relate back to the group of people who we are particular concerned about, and that is those at risk of falling out of their housing into homelessness. I did provide two other documents. One is the National Youth Commission's report, which some of us have invested quite heavily in over the last year or two. It mainly relates to young people, but clearly issues of housing affordability impact on young people's transitions. In terms of young people, we are very concerned about the complexity of the transition from living at home, or living in the care of the state, to living independently. We feel that is probably the most difficult that it has been in our history.

I grew up in the fifties and sixties in Australia when transitions were clear. Everybody pretty much got an outcome. Increasingly that is difficult, and housing is one factor in making that transition more difficult. It also complicates young people staying at school and staying in education. There is some stuff in the NYC report which we feel is useful around that. The other report, *Finding my place*, is the Salvation Army's response to the NYC and, again, is focused on homeless young people. Most other information is contained in the reports.

CHAIR—Thank you very much, Major Eldridge, both for the additional submission and the further material you provided the committee today. When you were talking about the 1,250 surveys, you said that you were surprised at the proportion of those which were returned by homeowners and the proportion of homeowners appearing in your services in that particular week. Did your workers make any observations, anecdotal or otherwise, about where they think that is going—how long that has been happening, what the causes primarily are?

Major Eldridge—It has probably been an issue that has been rising—and this is observational rather than evidence based—in the last six months in particular. I think there is always a time delay or trickle-down effect around issues like this. People make all sorts of arrangements internally as households within extended families to remain in their housing. Here is a point where people are still very committed to paying their housing cost but are finding they cannot afford food, cannot afford to pay bills, cannot afford to pay for kids' school expenses. I would say in the last six months it has increased particularly. We wish we had always kept that data on the percentage of homeowners. But in the discussions that our financial counsellors and other ER workers have with people, they would have always asked that question: where is your housing? They are surprised at the figure of 10 per cent of people. This probably represents 15 per cent of our services in one week who were surveyed. If you look at all the ER agencies across the country, if that 10 per cent figure was consistent, then I think we would be surprised at how many people are really struggling on the edge of that loss of homeownership.

CHAIR—The data is very interesting for us and, notwithstanding the fact that this committee is required to report by the middle of June, we would be very interested to learn what Swinburne's experts say in terms of what you said might be early intervention programs or any other observations they may wish to make.

Major Eldridge—We are actually pushing pretty quickly ourselves. If we can, we would like to feed the information into the green and white papers. We might be looking at June for, certainly, better interrogation of the figures, if Swinburne will help us with that, and we will be able to provide you with any ideas that come out of it.

CHAIR—You referred to the difficulty that the Salvation Army has identifying and leasing properties at the moment at affordable rates. Is the difficulty more related to the affordable rates or the availability of properties or is it both?

Major Eldridge—It is both. I probably would not advertise this across the front page of the *Sun*, but we have taken some very substandard properties in the past to get a property, particularly for young people. Dwellings above shops and places like that would have been our staple diet. We may not have been on the

lease. The young people may have leased them but we may have kept the lease going and kept the payments up because there is always fluidity about young people and their accommodation. But those properties are not available. They used to be. Looking at Melbourne and the Sydney Road and Lygon Street strips, in the past you could get quite cheap properties upstairs. You might sometimes have had to fix up the shower or something like that, though you were unlikely to get a huge investment from the landlord in the upstairs part of the property. But they were very useful for us to provide some stock and they are just not there now. The rates have gone up so much it is a worthwhile investment for a landlord to fix it up a bit and let it out. The price is just way out of the range of the young people we would be dealing with.

CHAIR—You pre-empted my question to a degree in terms of recommendations 6 and 9 by saying that that might be envisaged to be a difficult proposition. As you were saying it, I was thinking, ‘That’s a difficult proposition.’ I would not want to be the government which was trying—actually I would quite like to be the government, but that is another issue—to apply that policy in any fashion which vaguely resembled equitable and then have to take account of the changes.

Major Eldridge—You could just raise the whole rate and reduce the cost for that group and the other group would be much better off.

CHAIR—You could. You could give people a lot of money to live in Geelong and the same amount of money to live in Sydney.

Major Eldridge—If you wanted a personal opinion, my personal opinion would be we gambled too heavily on rental subsidy as a portion of the CSHA. For us, public housing has always been the better option, particularly for families but certainly for other groups. Community and social housing are fantastic options and, as I was just saying to John before, there are some great community housing providers in Geelong. If we get them down here, it is like: bingo! Particularly for young single mums and more stable households, if you can get them into good housing, there is so much you can do. But it is like finding a diamond at the moment to get into social housing or community housing.

CHAIR—We have learnt some good and interesting things about community housing in the past few weeks of this inquiry and, had we had more support from state governments than we have received in this inquiry process, we could probably have more effectively explored aspects of public housing. But, other than the Western Australian government, state governments have been universally and quite profoundly disappointing in their support and interest, if I might say. But, in terms of public housing, do you mean the public housing that we regard historically as provided by state governments?

Major Eldridge—Yes.

CHAIR—The profile of that though, it seems to me, in terms of the residencies of public housing, has changed quite dramatically. We were advised in Sydney, for example, that it has changed from being a foothold where low-income families and even welfare recipient families could engage in public housing and then, across a reasonable extent of time, look at homeownership. The profile of residents in public housing is now, as we would say in New South Wales—post-Richmond report—‘deinstitutionalised’ people: very marginalised elderly pensioners and a cohort of young people who fall into the same very marginalised category, rather than where it was 20 or even 15 years ago. Is that an observation that you have heard or would agree with?

Major Eldridge—I would not want to comment on New South Wales; that is out of my region. I would not use it for a benchmark either. I think that South Australia was a very good benchmark, where public housing was an access point for many young families. Working in Victoria, we were always jealous of our counterparts in South Australia. Even in homelessness programs, they seemed to have much more flexible access to exit points. I think there has been a deinvestment in most states.

I would still much rather have somebody who was slightly chaotic in their lifestyle in public housing than in the other option, and I think that there are still very good options in public housing across southern Australia, mostly in houses. But for various social groups—ethnic groups who are quite comfortable in high-rise living—it still provides a good option. There are some limitations around the support provided across public housing estates, but the housing in itself is of a pretty good standard. If I have a critique of most public housing authorities, I would say their slowness in renovating and turning over properties is not good.

We have people who are homeless but we can walk to any number of public housing properties waiting for renovation. That is problematic. I am actually not negative about public housing; I just think that there are some historical difficulties about where the estates are and how they have been used socially. But I still feel

that, with some good interventions with support workers going into public estates, you could develop very stable communities. We know of some that are very stable and we are very happy to get our people into them. In the end, it is all down to the shortage of stock in public housing. The turnover rate would not be a problem—or it would be less of a problem—even if there were more stock.

Community housing is great because of the flexibility and because they are stand-alone, one-off properties, often in normal estates, and there are a whole lot of things about it. The quality that is provided by many community housing providers, in terms of their upkeep of premises and things like that, is sensational given the money they have.

CHAIR—You refer in your recommendation 9 to supporting marginal mortgage holders—I guess that is how I would describe them in shorthand. That is a policy issue which has been advanced to us by a couple of witnesses in a couple of submissions, and I am personally quite interested in that. I wonder where you have seen that work. For example, would that be the sort of policy which you think would be helpful for the 122—or whatever it was—families or homeowners that have come in in the surveyed period?

Major Eldridge—It would be slightly risky as to who would get it. Determining who might be eligible for that assistance might be problematic—I do not know. We have seen people who have a situational crisis—a loss of job, a time lapse between job loss and second job—where there is an interim time where, if the banking system were more flexible or if there were some interventions that could be made in terms of mortgage support, you could get the family through the situation. We do not have the money for that. I think ER services across the country are almost depressed themselves about what they have to distribute. It is a lose-lose situation. You are sitting across the table from each other, one side knowing you have not got much to give and the other side knowing they are not going to get much. I think if there were financial counselling services that had access to affordable mortgage support for people, you would minimise the number of people dropping out of housing. People really fight to stay in them.

CHAIR—We had an interesting discussion with Bendigo Bank about just that this morning, which was very reassuring actually.

Senator SIEWERT—I would like to pick up from where you have just left off. One of my questions is around financial services and support and whether you have noticed a similar trend. I was at a community based organisation a couple of weeks ago in Melbourne talking to their financial counsellors and they were saying that they have had a hugely significant increase in the amount of people seeking support but that, because of that huge increase, they are no longer able to provide preventative financial counselling. All they are able to do at the moment is crisis counselling, and it is frustrating them no end. They cannot get additional funding at the moment to provide that preventative financial counselling, which I think, if I understood what you are saying, was that early intervention is one of the key things we need to be doing—I presume that is what you are talking about.

Major Eldridge—I think in terms of falling out of homeownership, early intervention is financial counselling and some sort of mortgage support. The financial counselling issue is problematic. I would not like to have to accredit some of our financial counsellors—and I do not say that in a negative sense. People end up in ER services for financial counselling when they are the most volunteer focused parts of any organisation and where they have the least capacity to provide that sort of counselling. They give great support within the confines of their skill base and of their resources, but it is not proper financial counselling in many ER services. We have good financial counselling services working within or beside an ER service or down the road you have got a great option, but they are absolutely flat out. You can rarely get in and you get in at the point of absolute destruction.

Senator SIEWERT—They have been finding that they are only able to deal with them at the pointy end. They do not have the time or resources to do the preventative stuff.

Major Eldridge—Much of the work that has been very useful by financial counsellors is in what I call the iniquitous system of debt recovery that we have in this country where a parking fine can end up \$600, where not getting on a tram and paying your fare can end up at some ridiculous amount, where not returning a video can turn from \$20 to \$600 in a matter of months. It strikes me as bizarre. Financial counsellors can deal with that, and we often use them on some of those peripheral issues. Now they have to deal with core issues. There is a fall-out all down the system of there not being enough access to financial counselling.

Senator SIEWERT—One of the issues I think we should be looking at is recommending providing some more support services for preventative early intervention financial counselling.

Major Eldridge—I think we would find that would be a recommendation when we start looking at early intervention, but we wanted to back it up with some data.

Senator SIEWERT—The other issue that you were talking about was public housing, community based housing. I have been impressed with what we have been hearing about social housing, community based housing and community housing associations. It seems to me that they are stepping up to the mark whereas we have already been through the issues with public housing. A way to move forward might be to transfer some of the current public housing into management of community based housing organisations. What do you think of that suggestion?

Major Eldridge—Part of the move—and I will look to St Vincents for support on this a bit later—of some of the stock into transitional housing in Victoria was to get some community management of some transitional housing. I think the community housing associations of Victoria may heavily invest in those sorts of moves, and the dust has not settled yet on the management of some public housing stock.

I believe, if you are going to do that properly, the parameters have to be clear and fair, because too often, when we set up community agencies in a business environment, we place demands on them that kill off their desire to cross-subsidise. So the arrangements put in place for community housing have to allow capacity for cross-subsidy so that the most difficult clients as well as those who can probably keep paying rent can sit within the organisation that can do it and so that the expectations are not unreal. If you get community agencies to manage community housing, you will get sound management of people and their issues and good management of housing properties. You will not get a great capacity for property development. On the one or two occasions where you have a great property developer community based agency you do not always have a great retention of very difficult people. It is an understanding of the parameters of what you can expect when you hand that over, but I think it is a very good idea.

Senator SIEWERT—My other question is about shared equity. What products are available in Victoria for shared equity? I am from Western Australia, and Western Australia has had shared equity products for a while.

Major Eldridge—A great question for Gavin Dufty, of course! No, I am not strong in that area. I have just come back from the UK, and I am not across that area.

Senator SIEWERT—Whoever is down the back, I am reserving that question for you!

Major Eldridge—Yes, I am sure there are some people who can give you a good answer on that. I would be tap dancing.

Senator SIEWERT—We have had some experience in Western Australia, and all I have heard is positive.

Major Eldridge—Yes, people talk about it very positively. There were some arrangements in Victoria in the very early days, but they were a little bit mud-bricky. I think they need to be a bit more practically focused.

Senator COLBECK—I was just interested in your comment about the propensity not to manage the difficult customers well where there are community sector and developer partnerships.

Major Eldridge—I think I was actually suggesting that, in some community housing agencies where there is a particular bent of some of the leadership towards an entrepreneurial focus, you do lose some of the commitment to the most difficult. I think that happens also where you set your guidelines of a program too difficultly. We are exploring, as are many agencies now, a relationship between property developers and community agencies. In the past, I suppose, we have been a bit unrealistic about their altruistic desire to build houses for the poor, and they may have been a bit unrealistic about the benefits that might be achieved by both. I do not think we have come to a position on that. In fact, our organisation are currently considering whether we will be a housing association in Victoria, and it has caused a great deal of tension within the organisation because churches that have moved into business focused areas—and we have some experience of this in the employment market—are not always comfortable internally with what happens. We are actually getting KPMG to do a study. They are our auditors, so we trust them implicitly!

I think we need to be realistic about what both sides' expectations are so we do not come into a naive relationship. I am wondering whether it is not more a local government issue about determining what they want out of a developer who moves into their community—whether some arrangements cannot be issued at that point of engagement. I am sure we would be able to subcontract particular elements of a housing association to property development or people with that building experience, but I think our discomfort is around holding our mission in place and dealing with what is clearly a business set of imperatives. That is the conflict we are having a bit internally.

We have great examples of corporate partnerships, but I would say that some of them are still naive when you are actually going into the corporate partner's business area. If you have a corporate partnership with somebody who wants to do good staff development, wants their staff to work in community projects and wants to be a responsible corporate citizen, you can have a great relationship. If you are then in their area of core business, you need to be a little more careful. It is early stages. Some of the skill base they have certainly needs to be brought into the development of housing, but we are just not sure which way is the best way forward.

Senator COLBECK—But it is a potentially important area to look at. Obviously that is why you are doing the work, given the National Rental Affordability Scheme that is proposed, where the government is proposing to subsidise rental in the private sector by 20 per cent for a period of time. There are obviously skills that exist in different elements of the housing sector from the community base, the social base and the development industry. So, while it is still not clear how this whole thing is going to be offered, there is significant potential for those sorts of interactions to occur. We have heard plenty of evidence that there are very good skills, as Senator Siewert has indicated, in different sectors that may necessarily come together as part of this program.

Major Eldridge—I would not at all question the skill base. We do not know how to build houses. That is not our business. I would like to see very clear, open and transparent contractual relationships between agencies that came together in a partnership like that, because essentially we should always be focused on the person who is in the house, and they will always be focused on the return to investors and a good business process of how to build houses. Those two might come together, but I think you need to be very clear and transparent and it needs to be contractually bound.

I am not trying to be negative here, and I am not trying to say that I do not believe there can be great partnerships across the community, because we know there can be, but I think we have been burnt badly on trickle-down in some ways. Over the last 20 years, we have had very, very stable and sound economic circumstances in Australia. We have had budget surpluses. We have had low levels of unemployment. And homelessness has doubled.

I think that, if we are going to have good interventions around this, it needs to be about whose business area is what and some transparency about the contractual process. Do we want to build houses? No, I do not think we are going to be very good at that. By the time we learned how to build houses, millions would have been wasted. Do we want to contract out all aspects of the housing market and not maintain an interest in affordability? No, because I think there is some way that we need to have a very robust participation across sectors in this thing.

Senator COLBECK—I would not suggest that you are necessarily being negative, so I would not like you to take that inference from what I was saying—

Major Eldridge—No, I didn't.

Senator COLBECK—but I think it is a very realistic approach that you are looking at, so that you very clearly understand where you fit in the equation, where potential partners might fit in the equation and what the relationships might be. As we have heard over the last few weeks, there are people who do certain parts of this very well. If it is to be sorted out properly and we get some really good solutions, there are probably going to be a number of ways to do it, but the relationships need to be well developed too.

Major Eldridge—Yes.

Senator MOORE—Major, on the stats that you have given us about the people who have presented who are homeowners: I take it they were all people with mortgages?

Major Eldridge—Yes.

Senator MOORE—It is one of those things, because we have heard in some other inquiries we have done that there are particular social problems for people who own homes. Their homes are burdens to them, but they are their property, and they are living in a community almost imprisoned by homeownership. That is another side of it in terms of the process.

Major Eldridge—Observationally, we have seen families who have inherited homes in good areas who have sold out of that area and done badly in the move, because of, again, not having the right financial advice.

Senator MOORE—And the snapshot approach always throws up more questions than other things. It is just that there are issues, as you know from your organisation, for people who have bricks and mortar. We had evidence this morning from an academic who was here who talks about healthy planning and using the World

Health Organisation determinants for what creates it. One of those things is housing, but he was talking very much about appropriate housing being one element of a whole lot of other indicators that build on to wellness in terms of planning. Has the army been involved in discussions along these lines?

Major Eldridge—Not at this point. We are just about to have a chat to some community development people in Laverton to explore some of what they have learnt about their own community. In many ways, for a number of years I think some of the community development skills have been devalued, both within the community and within the welfare sector, to be honest, as we have taken a wholly case-management-focused approach on some things for a variety of reasons. I have always liked a nice balance of case management and community development, and I think that we are stronger on one than the other at the moment, so I think there will be a learning curve here about how we think through some of those community-wide collaborations.

I was involved with the NYC, and the challenge across the country in youth homelessness is: what is the coordinating point? When you go into some communities, they have all the services there, and it is unfair to say to services that are strapped in terms of high usage at the moment, ‘You get out there and develop how you’re going to collaborate together.’ So often a state government or someone develops a model of collaboration which is imposed from above and it is not working. We have invested in community development, and I think that notions of wellbeing and some of those similar notions have fallen by the wayside.

Clearly our enemy in homelessness is transience. There is poverty and all sorts of other things but transience is what destroys people’s connections to each other—young people’s connections to school, connections to employment and connections to extended families. There are all sorts of things about a transient lifestyle that bring apart the social fabric of families and of communities, so I think that housing is integral to giving people the opportunity to dig into a community and work through issues. I endorse the notion of wellbeing approaches in communities; I just think that we have not invested in it, and you do not get it if you do not pay for it.

Senator MOORE—The other issue is getting a correct balance in any kind of development—that when you are planning you have options available for people of all kinds to be able to coexist if possible. We have had evidence, and we have seen in our own electorates, that other members of the community are the ones who are closing out people who may have special needs and, when organisations try to foster a home that is adjusted in some way to allow people to have access to it, or even special lower cost homes, other members of the community are the ones who raise community protests about bringing down the value of their property. That has become quite vicious in some areas. I am just wondering, with the experience you have had in your southern district, whether you have come across areas where that has had to be faced and fought off.

Major Eldridge—Every time we seek a permit for any social property it is a nightmare and we brace ourselves. Sometimes we would rather rebuild on a site at extra cost than face a barrage of criticism for entering a community and bringing down property values and affecting the amenity of the area. It is a complex issue but it happens most in communities where relationships are not strong. I think that where communities come together, have some gathering points, have strong local government and have services available there is less impact. But I do feel that part of the damage is being done by careless deinstitutionalisation processes, where people have been dropped into communities without adequate supports—and they will act out. Why wouldn’t they? Why do we think they would not? So I think it is a question of intelligent social planning, and I would endorse the key role of local government. I would, however, suggest that it is patchy across the country. Some local governments have a great capacity for being both good developers of their community and good interveners in community issues, but not all local governments are that skilled up. I have found that, where local government can intervene well, they are your best partner. We have had situations where we have been assisted by a local government who have had a social justice objective as well as a local development objective, and moving into those communities has been easier. So I would endorse the role of local government but would raise the query that it may be underskilled and underresourced in some communities.

CHAIR—Major Eldridge, on behalf of the committee, I thank you very much for the submissions from the Salvation Army and for your time. We are very grateful for that, and it has been a very interesting discussion.

Major Eldridge—Thank you very much, and good luck in your work.

[2.45 pm]

DUFTY, Mr Gavin, Manager, Policy and Research, St Vincent de Paul Society

HORTON, Ms Netty, General Manager, Community Services, St Vincent de Paul Society

TUOHEY, Ms Anne, Research and Policy Coordinator, Aged Care and Community Services, St Vincent de Paul Society

CHAIR—I welcome our next witnesses from the Society of St Vincent de Paul. Thank you very much for attending today and participating in our inquiry. May I ask whether you would like to make an opening statement, after which we will go to questions from members of the committee.

Mr Dufty—Thank you very much for inviting us here. I will do a bit of an opening statement around who the Vinnies are and a perspective from the emergency relief end. Netty will talk about a bricks and mortar perspective—the services—and then Anne will talk about more structural things, and it will fit within 10 minutes.

Just by way of background, St Vincent de Paul has about 40,000 volunteers across Australia. We have got 620 op shops. We have got numerous aged care facilities, transitional housing services and homeless services across Australia. Last year our organisation provided over \$30 million in emergency relief to Australians seeking assistance. The vast majority of that has been raised by our own fundraising from the people of Australia. We provided hundreds of thousands of meal services across Australia and had millions of contacts with people seeking assistance. So I suppose the picture is one of a big organisation across Australia.

To make it clear, if it is not, we are here particularly to talk about low-income and disadvantaged people including homeless people. That is our focus. From an ER perspective, there are some key themes that we would like to throw into the pot here. Housing affordability has to be seen in the broader context of the household budget. It is one part of household expenditure and if you get a hiccup in one part of household expenditure that can affect housing affordability or housing affordability directly can upset other parts of it. So you need to think about the home, not just the house. Housing affordability should be seen in the continuum of all housing, from homelessness through to homeownership, and each part of that continuum needs to be looked at to see how those things interrelate.

Finally, we are seeing that housing affordability issues seem to condense around particular groups from an emergency relief perspective. They can be singles, students or pensioners, and we do see a number of homeowners seeking emergency relief because of housing stress. Thank you.

Ms Horton—I have responsibility for a range of programs dealing with homeless people and people at risk of homelessness. I want to focus a little bit this afternoon on our housing services which we run in the Moreland and Hume region of Melbourne. Through that service we would expect to have about 8,000 households coming to us and requesting assistance with finding accommodation in the current financial year. As a little snapshot for you, attached to that service we have 170 transitional housing properties, which are good quality and affordable accommodation. In the month of February 2008 we had 496 households—they could be singles, couples, families—coming to us requesting that accommodation. We had two vacancies in that month.

In March this year we had a little over 400 households coming to us about accommodation. We had five vacancies. The remaining households that we were not able to put into that accommodation we then assisted by finding them crisis emergency accommodation or, most often, by trying to help people on the private rental market. I have to tell you that our options in the private rental market to assist people are really nothing short of terrible for the most part. Our options for private rental have been significantly reduced over the last 12 to 18 months. If you had come with me 12 months ago, I could have shown you a number of properties and, although we do not like using them, I could have shown you three caravan parks. We now have one caravan park. What has happened in that area is that one company has actually leased a whole lot of private rental properties. Whereas before we might have been able to lease a property in its entirety for a family, that company now has leased them and they sublet them to us by room. Whereas a property might have housed one family before, you can now house maybe five single people or couples or even families in the same property.

The rate that we were paying 12 months ago—I sat down with my housing workers yesterday and I will tell you a little bit more about that in a minute—was about \$140 to \$150 for a single person for a room. For the same room now, we are having to pay \$170 to \$180 a week for that room. If you are a family, it depends a

little bit on the size of the room but it is \$200 to \$220 for a room plus \$15 extra a week per child. The other thing about that is that not only is the accommodation terrible quite often; we are using government funds to pay that money. We are using taxpayers' funds to pay that rent.

I have put to the staff and I have put to organisations many times: what would happen if we refused to pay those people that rent? The dilemma for us as providers of a service is: what do you say to people when you have absolutely nowhere to put them? The dilemma for me, with responsibility as a service provider, is: do I say, 'I have nowhere to put you,' and put you on the street or do I put you in substandard accommodation and pay for it and actually subsidise someone's business? We struggle with the answer. At a personal level, I feel that the time has come when we have to take stronger action. I think we actually have to set standards that we will not fall below.

Having said that, there are places where we will not send people, but they are really bad. I will not even tell you the stories about those places. Can you imagine what it is like for my workers sitting on the other side of the desk and dealing with 12 to 18 households, singles or whatever, a day, and having to give people incredibly poor options? It is very dispiriting. To keep the morale up for some of those workers is actually quite difficult. Obviously we do things about that, but I just want to put it to you that it is not only the terrible situation that people have to live in; it is actually pretty hard to keep your workforce going. If you have a look at some of the services—and we are not doing too badly—the churn in workers is significant. That has a huge impact on the industry as well. So it is not a great picture out there and it is really dispiriting.

I suppose the point I want you to hear is: I worry very much that we are actually covering up the real picture, because the community think that if someone has got a roof over their head and they are not out there on the street or in a car then they are okay. Most of the community, thank goodness, do not have to ever experience the sorts of living conditions that we are putting people into. I know enough about interstate conditions to know that we are not alone in Melbourne and we are not the worst service in the world. It is happening in most of the cities.

The other issue I want to briefly raise with you is slightly different. There have been a lot of discussions around housing associations. David mentioned that the Salvation Army, St Vincent de Paul and UnitingCare have worked together to try to work out how to become housing associations in a way that is comfortable for us. A number of obstacles have been put up by the state government, and I actually think that after 18 months of negotiations we are nearing conclusion—there were some technical details about what we were able to accept and what we were not able to accept. Let me just say that our hunch is we know we have access to land and we think we are going to have more access to a lot more land once we are able to set things up in a way that is comfortable for church groups and for our group in terms of how we deal with that land and the ownership of that land.

I also need to say that there is a major concern around housing associations. One of the reasons St Vincent de Paul is particularly interested in establishing itself as a housing association is housing associations are not able to cater very well for single people who are on Centrelink payments, because the current funding model does not enable them to be viable over and above a particular quota of people who fall into that category. Most of the housing associations are having to service debt in order to keep the developments. For instance, I have recently been asked on two occasions by housing associations operating in Victoria for payment towards property developments. In return for every \$35,000 of equity I am prepared to put into a property development, I will get a nomination right for the lifetime of that property for one of my clients. That may be a way to get equity, but I actually think it illustrates very clearly how the model is flawed. If I am a poor person and I come to St Vincent de Paul, why should I have any greater right to getting access to property if I need it than someone who perhaps goes through a poorer, non asset-based organisation?

Having said that, and I think David said this very articulately, when we can get people into community housing it is like we have reached the pot of gold because it is affordable. When we put people in private rental accommodation and we leave them on their own, it is unsustainable. We are leaving people to exist on \$60 or \$70 a fortnight for all the other costs that they have to meet. If we can put them into community housing, we at least know that they have got some opportunities and we can start to work with them via support services. We are really keen on becoming a housing association and I think we will. We are hoping to get around some of the issues that we believe are obstacles at the moment.

Ms Tuohey—I would be a fraud if I said I have been promoted. I am a Ms Tuohey not a Dr Tuohey. I wanted to mention one thing in terms of the government's embrace of social inclusion. One of the policy areas that really has to be addressed is the spatial segregation of well-off and poorer, low-income people. We very

much support public housing and wish there was a lot more, but what is happening is that it is becoming a dumping ground for a lot of groups who need a lot of support. There are no other options. Just to cite an example, a lot of the inner urban estates in Melbourne are becoming the refugee community setting. In terms of addressing settlement issues, it is not the best approach. What is actually happening is that, although they may be well located in terms of closeness to services, we are finding that the rest of the community tends to send their children to the non high-rise school. So the school on the high-rise estate that is populated by the high-rise families tends to become a second-rate school. We are not getting that mixed income, mixed community that we really should be looking to achieve. We should be somehow breaking down that segregation.

Housing associations have shown through both their management and their capacity to develop innovative and very responsive smaller developments better kind of life outcomes for children who live in those smaller developments compared to some of the kids who have been in public housing. That is not to denigrate public housing. It plays a really valuable role but, unfortunately, more and more, because the options have not been there it has become a dumping ground. I would say that we are very much for urban consolidation and we should be looking at whatever vacant land there is in better serviced areas where we can do smaller developments.

I was interested in David Eldridge's comment about shop tops. One of the issues of putting young people on top of shops is that there have been a lot of planning barriers that have not helped landlords to develop that form of housing to be both affordable and of a higher quality. But those sorts of innovative programs—and we have had a couple of councils in Melbourne that have embraced them in the past—could actually provide really well-located affordable housing for a whole lot of people who possibly do not need a car or have a car. So some of those issues about parking requirements could be waived and there are ways of getting around things like fire restrictions. They are the sorts of obstacles that are often placed in the way of doing something innovative with under-utilised land. Again, I have seen housing associations being very innovative in looking at under-utilised land that is very well located. Even if at times there are higher development costs, in the long term we are going to get much better life outcomes for the families who live in those kinds of communities.

The other thing I wanted to mention was government housing assistance and tax reform. It is very important that it starts to be skewed much more in favour of providing more affordable housing. And affordable housing has to be long term. We have seen too much of the money that goes in the form of housing assistance not achieving those sorts of long-term gains, particularly for people who are on a low income and either missing out completely on housing or experiencing housing stress.

CHAIR—Thank you. We will now go to questions.

Senator SIEWERT—I will start with the shared equity issue because it was handballed to you. I am aware of some of the programs in Western Australia, but I am not clear about those around the rest of the country.

Ms Tuohy—I will mention, too, that I worked in the Victorian ministry of housing in the eighties and nineties when they did embrace a number of shared housing schemes. There was one called the homeownership lending scheme, I think, and another called the shared homeownership scheme. There was a self-build scheme where people built their own homes. A lot of people did mud-brick housing and that was seen as the sweat equity—what they contributed. They were fantastic. One of the problems with the homeownership lending scheme and the shared homeownership scheme, which had the fantastic objective of getting more people into owning their own homes, was that the formula had not taken into account the inflationary effect of an astronomic increase in interest rates and unfortunately a lot of people ended up losing their houses by defaulting on their loans. I guess I would say it was a great idea and it should be looked at again—and I understand the Victorian Office of Housing is looking at a similar scheme now—but it is really important that those sorts of formulas are worked out. I would say also that, in helping low-income people into housing, there should be some kind of fixed interest rate that does not go above a certain rate.

With regard to affordable housing associations, I know there is a shared equity scheme in one. Supported Housing Ltd is one association in Victoria that helps people with disabilities into housing. So the money that has become available to people who have become disabled as a result of a transport accident can go into providing housing or their families and friends and philanthropic organisations can tribute. That has also contributed to quite a lot of affordable housing. I think it is a great idea, but it is really important to get that formula right.

Senator SIEWERT—The WA one is now capped at \$375,000, I think, for the value of the home.

CHAIR—It was under \$400,000.

Senator SIEWERT—I think it was capped at \$375,000, and I think they are capping interest, certainly for a certain period. There was not a cap on it in Victoria?

Mr Dufty—No. What happened was that they capped the repayments for people exposed to the volatility of the interest rates. So they were running with the 30 per cent formula, for example, and it said, ‘Of your income, you will never pay more than 30 per cent,’ under the assumption that interest rates would not go above a threshold of, say, 7½ per cent. Then when you started to get into double digit interest rates the actual amount borrowed started to grow and grow, and people were ending up going into negative equity and it was worth more than their house. There were a number of legal actions in Victoria—they may still be going on or they finished last year—through the Consumer Action Law Centre where people were suing the state. There was a lot of argy-bargy. In a sense the model is sound; it is just the tools you bring to it. I would like to highlight that, in a sense, it is an alternative financing model similar to a no-interest loans scheme, which is again an alternative financing model. That will only target a particular group—those with the certainty of a low income, I suppose.

Senator SIEWERT—Yes.

Mr Dufty—Age pensioners, for example. It will still exclude the group that we see quite a lot of, which are the unemployed, single parents and all that. Again, no finance model is going to provide finance to them.

Senator SIEWERT—I have another question. I asked a similar question in Perth. We were talking about developing higher density, inner city, more affordable housing. It seems to me that there is going to have to be intervention by government to require that to happen because land in the inner city suburbs in Perth—and I assume it is the same here—is worth a fortune. If we are going to develop more affordable housing it is going to need government intervention. Business will not, out of the goodness of their hearts, decide they are only going to take a small profit or no profit at all to develop that land.

Mr Dufty—I was on a reference group for Melbourne 2030 and some of the experiences there were interesting. There is the issue of utilising unutilised land, and there is also the issue of unutilised housing stock. For example, there are the ‘empty nesters’—there may be a couple whose children have left home living in a four-bedroom house within the prime radius of Melbourne, 10 to 15 kilometres. There are a whole lot of structural issues as to why they will not move. They want to move but the tax system actually is stopping them facilitating that move because as soon as they free up that capital and turn it into cash they will lose access to the pension. And they have to transit across. So there are issues that would facilitate that group—they have the cash to downsize, if you like—to take up those opportunities that you are talking about. That would leave homes available for young families to move into. That was one of the things that they did not deal with on that reference group—they never dealt with those bigger tax transfer issues and the barriers that they present.

Senator SIEWERT—The tax issues have come up, as you would expect, a lot, and we are going to need to do some more work around that. That specific issue that you mention has not come up in quite the same way.

Senator MOORE—It is also inheritance stuff. Parents, or a parent, may want to move but the kids are waiting for the money out of that building.

Mr Dufty—Yes, they sit on the asset. For the kids, it is that inheritance. Or, if they do move, they have to suddenly go back to the accountant and adjust everything. I say that because it is a hot topic amongst the volunteers at St Vincent de Paul’s. It is that group.

Senator SIEWERT—I keep wanting to follow up issues but there are a couple of key questions that I want to get out. I do think that issue needs chasing up. If I understood what Ms Horton said correctly, there have been businesses that go and buy or lease caravan parks specifically knowing that low-income families are going to need these areas for crisis and emergency accommodation, and we are basically creating slums. These are the slum landlords, again, aren’t they?

Ms Horton—I have a document here. It is not really a submission but I thought you might like to flick through it. It is an account from some of our service users about some of the places that they live. I will leave that with you.

Senator SIEWERT—That would be great.

Ms Horton—Some of it is their poetry and whatever, but there are some interesting articles there about where they have been living. Yes, they are being leased, and they are being leased knowing that organisations like us—it provides a level of housing where people do not have to pay bonds, and they can move in for a

week or two weeks. There is the transient nature of homelessness or people needing somewhere for a while. They know people are not going to stay there forever, and there is money there.

Senator SIEWERT—And that there is money from the government—and there is nowhere else to go.

Mr Dufty—I can add to what Netty is saying. We are seeing it through the emergency relief end as well. It tends to concentrate itself around university hubs—a particular form of housing for students. People will go out and buy or lease a whole lot of properties and then lease the rooms. It is a new form of rooming house. It is the pubs of the 1950s coming back again.

Ms Horton—And the answer is not to say, ‘We’ll take away that money,’ because then we will be really stuffed.

Senator SIEWERT—No, I was not suggesting that.

Ms Horton—I know that but sometimes people say, ‘What a waste of money.’ We do have to find places for people to live. What I am trying to say is that we must be able to control the environment better than we currently do, because we are not doing people any favours.

Senator SIEWERT—I would have thought also that local government has a role to play in making sure that those sorts of—

Ms Horton—Every so often something comes up in the media and you will see pictures in the paper of terrible places, and the community go—shock, horror—‘Imagine people living like this!’ Local government come in and close them down. That is not the answer. It does not do anything for me, trying to run a service, when I suddenly have nothing there. The market is only the market because people are prepared to pay and people have to live there. If we raise the standard and say, ‘We are not prepared to put people in,’ my personal thinking is that the standard would be raised.

Senator SIEWERT—That is what I meant. I was not proposing closing them down, either, but if local government say, ‘This is a standard that you must meet,’ then it is coming from both ends—from those who set the standards and from those who use services. I understand your difficulty. I would not want to be in the position of telling someone that they do not have a roof over their head or telling them that they have a roof for a night but it is terrible. I know what I would rather be saying to people: ‘At least you have got a room.’ But if it is coming from both ends maybe you can start addressing it.

Ms Horton—This is probably not so much your issue but we also run Ozanam House, which is a crisis centre for homeless men—it has 64 beds—70 per cent of whom are between 20 and 40 years of age, 80 per cent have drug and alcohol issues, and 75 per cent have mental health issues—most have both. We move them out into that accommodation because that is all we can get. Who wants to have them living next door to them? We move them out into the accommodation and the best that we can provide them with is that we treat them well and we support them. It is not really giving them the best chance of creating a life.

Senator COLBECK—We talked about the National Rental Affordability Scheme before. Have you started investigating that, and is that one of the catalysts for you wanting to become—

Ms Horton—It was not so much a catalyst but it is obviously something of great interest to us. I know full well what the Salvation Army are doing because we have been working very closely with them. Both organisations are looking at what we are able to do and what it will mean for us. It would determine who we can accommodate, and our potential to develop property and to grow those developments. Clearly, that sort of scheme is of great interest to us.

Senator COLBECK—Are you having much interaction with some of the community providers who are currently in the system, and seeing how they are working and what their outcomes are?

Ms Horton—We are very dependent on those providers at the moment in terms of trying to access housing for the people who are coming through our emergency or transitional accommodation or family violence services. As I said before, Yarra Community Housing—I am not sure whether they are presenting or not—run some really good quality housing, and we know that people will get treated decently in those properties. Their men’s list is closed at the moment, and their women’s list has just opened but there is quite a long waiting list. So it is around accessing accommodation. That is why we are so keen to go down that route because we want to be able to provide more affordable accommodation than there is out there at the moment, and we want to be able to provide it for groups which, in the current funding model, are probably going to miss out.

Senator COLBECK—Underlying most of these problems is effectively a supply issue in the market. There just isn't the supply there, and that is having several impacts. One is driving up the cost of actually getting in to start with but another is prohibiting access because the supply is just not there.

Ms Horton—I should take you around services. The biggest frustration for staff is finding somewhere for people to live. Most people who come into our services do not want a transitional property. They do not want somewhere to live for six months. It may not be practical, but they want somewhere to live forever. Most of us want to set up a home, and the people we deal with are no different from that. We have transitional housing or private rental, emergency or crisis housing. As David was saying earlier, public housing is incredibly valuable for our client groups, but it is such a different world there now. When I worked on the soup vans 20 years ago we saw people who slept out, and we saw people in rooming houses. The soup vans that Vinnies run today go into public housing because we have people there now who are incredibly needy. I am not arguing that they should not be there, but I think that gives you a really good reflection of where we have gone to with public housing.

Senator COLBECK—We heard, particularly in New South Wales, about the narrowing of the cohort that are occupying what was called public housing but is probably now better described as welfare housing. Would that be the experience that you are having here in Victoria as well?

Ms Horton—Certainly in what we call segment 1 down here, which is the real priority in terms of accessing housing. That has been good for us in many ways in that we have got more chance of getting people who come through our services into housing. But, undoubtedly, because it has not been accompanied by the appropriate support services, there are real problems in that housing. The people in there are not articulate and strong advocates for their own cause.

Ms Tuohy—I would like to mention something in relation to the affordable housing associations that have been working in Melbourne. I have been a volunteer member of the board of the Port Phillip Housing Association in St Kilda, and the associations know that, as Netty was saying, support and housing are inextricably linked and there is greater success in dealing with the people that live there because of that understanding. It is interesting, picking up on your comments, too, that there is often opposition. This association not only manages housing; it develops housing, and there is often huge opposition from the residents in these areas that are quite affluent to the idea of having social housing. And there are huge battles to be fought and won, and luckily that particular council, Port Phillip, is very supportive and has been very bold in supporting and having a very strong social justice commitment to the people who have lived long term in that area. The interesting thing is that once we actually go through the battle and build those developments we often find the residents turn around and say, 'It's nowhere near as bad as we thought it was going to be; in fact, it is working pretty well.' A lot of that is to do with how the association actually supports the residents that live there. I wish we had documented that somehow. There are huge battles to be fought and won but they are really worth it in the long term, and you find that the residents often say, 'It is not how we thought it would be.'

Senator COLBECK—In fact, it can be very destructive at times. It is one of the real conflicts in the socialisation of communities where you give people more say in the way that their communities are run and then an inkling of fear might appear and run right through, and then it starts to manifest itself in the planning schemes. It is a real balancing act to make those specific decisions about which way you go, particularly with some of the social issues that you are talking about. We heard in New South Wales that some of the social support groups were paying people's mortgage payments to keep them in their own houses. Is that something that you have experienced here?

Mr Duffy—We have done it; it is not a big thing. Not a large number of the people that we assist are mortgagees, if you like. It usually occurs in situations where additional cost pressures have appeared. We do it where all of a sudden a child needs dialysis, for example. So, unusual circumstances appear. We will support them to get them through that unusual circumstance. That is not a problem at all. Where a household has overcommitted, which is the other part of it, we try to support them as an exit strategy. We will not get into long-term mortgage subsidy payments. For us, it is about working with that household and saying, 'Look, you have overcommitted. We need to transition from here to somewhere. How can we assist you in doing that?' We try to maximise what capital they may have so that they do not come out backwards.

Senator COLBECK—I think the experience in New South Wales was a similar circumstance, where it might have been a short-term issue. But it was the most viable way to help the person through the particular

issue that they had and not create further stresses on the other side of the equation where you are looking for places—to maintain your stock.

Mr Dufty—The trick is to recognise the cost driver on the stress. Is it part of the household budget or some unusual circumstance? Usually those you can manage and put a patch through, and get them to the other side. Keeping their house is always the number one goal. But if they have gone in and basically there has been stupid financing or whatever then it is an exit strategy.

Ms Horton—As David was saying, we have started to see a few people coming through who have been paying their mortgage but do not have money for other things. But we are more likely to see people in our housing services who have existed quite happily in the private rental market for many years and have not sought to buy a house for a range of reasons—not affordable or whatever—but are now suddenly finding themselves back in the market. Their house has been sold and they cannot find anywhere to move into. That is a growing group for us. As I say, we have had people on mortgages seeking help from us, but we are not able to use those funds to assist people in that way.

Senator COLBECK—Have you seen any circumstances of extraordinary increases in rentals where there has been not so much an incremental or CPI type increase but someone has decided all of a sudden that they want to catch up with the market, so to speak?

Ms Horton—That is what has happened. We have certainly had quite a few experiences where people have lived in private rental at a level and they have probably been at that rate, incrementally increasing, over a period of years, but they are suddenly back out looking for new accommodation, and it is much more expensive. On the other figures I had, I think that was about a 21 per cent rise in the last 12 months in the rental accommodation that I was talking about.

Mr Dufty—I can comment on that. We are seeing it in niche markets in housing, just following on from the rooming house or the multioccupant. There are certainly huge increases there. But also I draw the committee's attention to the fact that, if you go back to the raw CPI data and have a look at house cost trends and the rental trends, we are starting to see it through ER now. The big costs in rent kicked in from February this year. I think it is something that is yet to come, and just the start of the wave is there. It is usually because there is a 12-month lag between interest rates going up and then the investors being able to readjust the rent payment component. You can see it when you plot the two charts out. You can see this kicker, and it is just starting to come.

Senator MOORE—I have one question in particular, Ms Horton, on your evidence. I do not want to bring up negative experiences, but you explained your interaction with the state government—why you are trying to work through this interaction about whether you are going to become a housing provider or not—and you said there were obstructions. What are those? What is the problem?

Ms Horton—There were a number, but the critical one, which you can make your own judgement on, was that the winding-up provisions which are legislated in the Housing Act in Victoria said that, if the company was wound up, all the properties belonging to that housing association would then be handed over to another registered housing association. For St Vincent de Paul—I cannot really speak for the Salvation Army and UnitingCare, but I know that they have similar issues—some of the property that we are hoping to provide or access for affordable housing, which has not previously been available, has been owned either by us or by a church or whatever for many, many years. There was a basic view that, whilst we did not want to make anything out of it, we wanted some recognition for—

Senator MOORE—You would not want to lose your property.

Ms Horton—Just as much as the government did not want to lose their investment in affordable housing. It really took a long time to get over. I am still waiting for the written advice from the department. The devil is always in the detail, but my understanding of our negotiations is that we will set up separate entities and we will be able to lease the property into the new entity over 30 or 40 years, which is what we asked for right at the beginning, but it has taken a few meetings to get to that.

Senator MOORE—So there will not be any threat of transfer of title?

Ms Horton—No. The state council do not mind if it goes somewhere else in the interim; it is just around understanding that they see themselves as the trustees often, or guardians, of the land.

Senator MOORE—A lot of them would be old church properties, wouldn't they—convents and things?

Ms Horton—Yes, exactly. Obviously we want to access land that perhaps has not ever been made available in the past and may be made available to us just because of the organisation that we are. We have affiliations with various institutions such as the church or other bodies. We need to be able to give them a sense of comfort as well about that land.

Senator MOORE—It would have been an interesting state council meeting. You can just imagine some of the more senior members and their views about that.

Ms Horton—That is right. I have to say that it is not all over yet, but I am at this stage feeling pretty confident.

Senator MOORE—I know that organisations like yours, the Salvation Army, UnitingCare, Anglicare and all those people work closely together, probably better now than a few years ago, which is really positive. Has there been any discussion about doing something interagency?

Ms Horton—It has been raised a lot. We do a lot of things together. I have worked at St Vincent de Paul for only two years but I have looked back over the history. I think we are a bit more—certainly the church is a lot more into what their properties and things are worth these days. There tend to be perhaps some barriers to that. In terms of entering into joint arrangements where someone might develop property and someone else might manage it, there are examples. We work with lots of other organisations in that sort of way. I think it is possible.

The only thing I would say to you is that a lot of those sorts of arrangements are being forced by government at the moment. Sometimes, if you do not have a really close connection with an organisation, I wonder what the value is. I am not always certain that the value is for the client or resident at the end of the day. You need to know that you are going to get an improved service at the end of it, or an improved thing. During my time, I have held pretty true to ‘If we think we can do better by joining with people, we will; if we think we can do better by doing it ourselves, we will do it like that.’ We have a range of different models.

Senator MOORE—Without being forced together.

Ms Horton—Yes.

Senator MOORE—We were talking about areas where you are trying to develop a service and the people around you are working against you. You pointed out, Ms Tuohey, that some local governments have been particularly positive and supportive in that way. Are there cases where some of the people fighting you are the local government?

Ms Tuohey—I do know if Port Phillip talked about this. My specific experience has been with that because I am involved in their housing association and have been for about 17 or 18 years. Yes, that does happen. I do not know what the answer to that is. There are cases of that happening.

Senator MOORE—It goes back to the legal process, doesn’t it? That costs money and is one more cost in the whole process.

Ms Tuohey—And it takes a lot of time too. It is money and time, definitely. I probably cannot go into a lot of detail other than that particular council experience that I have, but it can be very, very costly in terms of time and can drag out processes for several years.

Senator MOORE—And the community models have all worked on having that cooperative respect and support rather than going into a battle, which is one more obstruction in the whole process.

Ms Tuohey—It would be fantastic if we did not have to go into that kind of adversarial approach, if there were a different way that it could be mediated or there could be some sort of conciliatory process. I think what is very interesting is that, because we have had the testing ground at Port Phillip, the community is just much more supportive in general. There have been the test cases—developments have been built and the community have seen it has not been as bad as they thought it would be. In fact, it has been pretty good. So people have been more supportive. Of course, communities change and councils change. But I think it would be fantastic if we did not have to have that kind of adversarial approach to get a development up.

Senator MOORE—An area that is not particularly mentioned in the terms of reference but which kind of fits through all of them is Indigenous housing. I have not had a chance to ask previous witnesses this, but are there any particular issues that you face in terms of Indigenous housing?

Mr Dufty—I know it has been discussed at state council and the Vinnies in the Northern Territory do a little bit of it. I think the issue is about how you involve the Indigenous community to have ownership around it and

for them to own and drive the process. Every time Vinnies have tried to go in there and say, 'Hey, we want to do some wonderful things for you,' it just does not work at all. We have tried. It is just too hard a space to enter into. We want to enter in there but we do not know how to do it.

CHAIR—Thank you all very much for appearing before the committee today. We have found it a very interesting session. It has been a very useful day so far in Geelong. Thank you for assisting us with our inquiries this afternoon.

Proceedings suspended from 3.29 pm to 3.47 pm

BLACK, Mr Jason, President, Victoria Division, Planning Institute of Australia

WORN, Mr Stuart, Executive Officer, Victoria Division, Planning Institute of Australia

CHAIR—Welcome. Thank you for the material that you have distributed this afternoon and the material that you provided earlier. I would like to ask you to make an opening statement. At the conclusion of that, we will go to questions from members of the committee.

Mr Black—Firstly, we come here today representing the Victoria Division of the Planning Institute, which has some 750 members. We understand that you have spoken to the national office of the Planning Institute as well, so we will not talk too much about the broader membership. Today we want to cover some more specific positions some of our members in Victoria may have in regard to housing affordability and, more particularly, ways in which we can address the issue of housing affordability in the future.

The key concept we really want to raise today is the notion that a house that people can afford is somewhat different to having an acceptable lifestyle that people can afford. We thought this was probably something different and interesting that we could add to the discussion. To elaborate on that a bit, often we get caught up in discussions about the acceptable percentage of income spent on housing, acceptable threshold levels and things in that regard about the purchase of the house which people are seeking.

We also think there is a broader issue here. In a lot of ways, the idea of having a house is only one small component. If that house is in an area that basically results in the need for three cars, social exclusion or the inability to access a range of services and facilities, we feel that additional costs add to the cost of living and detract from the notion of an affordable lifestyle and affordable housing. We thought it was important today to focus on that a little, because the basis of the Planning Institute is to plan for the broader community and to think about the things that we need going forward.

We know that the committee will hear a lot of discussions about land supply and urban growth boundaries and the like, being in Victoria, and we know that that is going to be a common theme. But aside to the debate is the question of what we are achieving in these urban growth areas, and then looking at some of our established suburbs and saying, ‘What is the lifestyle that people have in some of the established suburbs that others are aspiring to?’ The key point is that we think it is an affordable lifestyle discussion as much as it is about putting a roof over people’s heads—and a discussion about concepts around diversity of housing, a mix of housing and the notion of choice, and the debate will depend which party you are from. If you are in the development industry, for example, there is very much discussion about a product—‘Consumers want a product and we are delivering a product.’

One of the things we are trying to explore is whether or not a lot of the product that is being delivered is what the communities are seeking or whether they are just buying it because it is cheaper to buy a product than it is to buy a house. The idea of having a range and diversity of housing is something that needs to be instilled in our planning policies. To take that a bit further, we have the notion of what makes a good community. A community is one where people feel connected, where people feel they have access to services and facilities and where people feel that they have some form of housing that meets their basic needs. I think that as we go through the debate on housing affordability, we can get caught up in what is being marketed to us on a broader scale and we do not necessarily come back to these notions of good communities.

We wanted to touch on tax systems and how they may play a role, but maybe that is something that we can pick up in conversation. Again, it is the idea of how you create a level of fairness, how you encourage people to invest in rental housing and how you encourage people to help, to some degree, the development industry find a way in which they can start to provide other ranges of housing beyond what they think is acceptable. We do not want to double up; we know our national representatives have spoken about that.

The other major idea or concept we want to float is the one with regard to education. The community itself is driven by a whole lot of things that we think are acceptable at a basic level around housing, so there is probably a need for a culture of change—a change management. We went through the fifties and sixties with aspirations of the great Australian dream, but today we look at it and say it is unsustainable to continue in this way. So there is a notion that we need to change, through an education process, the way we are thinking about issues of housing.

How does all this relate back to housing affordability? In the very simplest terms, if we continue to build our suburbs in the way we have in the past we are going to continue to have these issues of infrastructure shortages, services and facilities shortages et cetera and someone is going to have to bear those costs. It is the

\$64 million question, I guess, but in bearing those costs often the costs are transferred to the people purchasing the houses and so the argument goes on. We really do want to highlight this idea that, if we get too caught up in the idea that we are just talking about housing here, we may in fact end up creating communities that are disconnected and that do not have access. We may have achieved one of our initiatives in trying to make housing affordable, but we may not have delivered on a broader objective.

CHAIR—Thank you very much, Mr Black. Mr Worn, did you want to add anything?

Mr Worn—I think Jason has said it all, and I am sure it will come out in your questions.

CHAIR—Thank you. That was a very good introduction, Mr Black. We appreciate that. In your remarks you referred to the fact that the developers say what they want, that they want four bedrooms and two bathrooms, and then they use that particularly colloquial term ‘the McMansion’ and tell us that that is what they want to build. I know in one of our hearings even a local council which probably really does know that it needs to have more diversity of housing stock in its community was saying, ‘You can’t sell two-bedroom, one-bathroom apartments near the railway station because entry level requirements for new homes for first home buyers are still for four bedrooms and two bathrooms.’ So the mantra, I suppose in some ways, continues. We have been juggling the thought as this inquiry has proceeded since early March as to whether it is still yet possible to change community expectations in any way or whether we are just too far down that road. I assume, as planners, you are planning and thinking ahead in terms of the sorts of very salient observations you have made this afternoon. What do you think about our capacity to manage community expectations any longer?

Mr Worn—I think we all grew up sharing bedrooms with our siblings and sharing bathrooms with our parents. We have quickly forgotten those things because the market supplies a different product today. The industry is saying, ‘We’re supplying what the people want.’ I think it is actually the other way around. I think the cart is in front of the horse and people do not have the opportunity to buy those smaller, more affordable types of accommodation in locations that are healthier places and more affordable places for them to live. They are forced by the industry to buy 35 or 60 kilometres from the centre of the CBD, where their workplaces are, and to have three bedrooms, two bathrooms and three-car garages because that is what the market is supplying. Unfortunately, because of the way that infrastructure is funded, the infrastructure is not there to service those people. So they end up having three cars, the fast-food outlets are able to ring the suburbs and so they have the very unhealthy lifestyle that follows through to where we were going in our submission.

I think it is the case that we actually need a couple of initiatives to change what is happening, and that is where the mandate of legislation kicks in. Unfortunately, as I have just explained we cannot rely on the market to deliver what we need, so we do need the mandate of legislation to help us do that, and part of that is planning policy. We do need some tax incentives to make it affordable for the market to supply these products, and we do need to change the awareness of the community about what they really want. And we are already seeing that. The developers are now marketing the lifestyle of the developments they are building. They are not telling you they are building you a McMansion; they are telling you about the community they are supplying. They just do not happen to explain that that community is a long way from Melbourne or from any of our regional centres and it is not serviced by the infrastructure that you need to have for the type of lifestyle that they are actually telling you that you are going to have.

It is all right if you stay in Caroline Springs, but if you try to leave Caroline Springs, for example, it is really hard unless you are prepared to jump in a car and drive. That is the type of thing we need to change if we want to have more affordable housing. As we said at the outset, it is not just about being able to afford to buy the house; it is being able to afford to live there and for the community to be able to afford for you to live there in the longer term. We need to address obesity and diabetes, so we need to create healthier places for people to live, and that is not going to be created by having people live on the outskirts of Melbourne where they are car dependent.

CHAIR—I am not blessed with enough local knowledge to know exactly where Caroline Springs is but I think I get your drift, generally speaking. Essentially, you are saying that we can use a legislative tool to manage people’s expectation. By that, do you mean that in a development, for example, there would be a certain requirement to provide a particular level of diversified stock and a certain requirement to ensure some stock is appropriate for use for community housing or public housing? Do you mean that much direction in terms of the legislative imprimatur you might try to use?

Mr Worn—Inclusionary zoning is an example of that. Urban growth boundaries are another legislative policy way of controlling the sprawl. There are a number of mechanisms that state and local governments have available to them to help control the supply of housing and where it is. That is what we are currently seeing implemented. It could be implemented more successfully. In the case of Melbourne, we are always advocating for the Melbourne 2030 policy to be implemented quicker, because that will help to address affordability of housing. But there is no one panacea to this. You need to have a multifaceted response. And it cannot just be by the mandate of legislation; it needs to be by market forces and by the desire of the population as well. I suppose we are advocating a range of solutions. There will probably be people who will come and say, ‘It’s all about land supply. We just need to unbridle the supply of land and that will solve this problem.’ I think that will just create a bigger problem and the next Senate inquiry we will have will be about poor health in outer communities and children living for a shorter time than their parents.

CHAIR—We have met one or two of those advocates already. Can you explain in more detail what the planner’s perspective on inclusionary zoning means?

Mr Black—I guess inclusionary zoning at its most basic level—and probably the most common example is in New South Wales at the moment—is effectively mandating the percentage of an overall development, depending upon which way it is defined, to be used for affordable housing or low-income housing. What happens in that process at the moment is that, through other concessions within a development, a developer will provide a certain level of stock—somewhere between four and 10 per cent, but around the four or five per cent mark—that will be set aside into perpetuity, for low-income housing stock. That is tied up in a number of rental agreements and agreements that ensure that those particular units are carried through the process—that is, if they are on-sold, they are constrained in their marketability and all that sort of thing. As a planning tool, I guess that is a brief understanding of what it is.

The issue that you have with inclusionary zoning, though, is again actually one of social exclusion. One of the best examples of that in inclusionary zoning and, in fact, in the supply of low-income units, is that they are all bundled up together and then all the other units are in another building. So when you walk into some of those developments you can say, ‘That’s clearly where the low-income housing is.’ When that is magnified, for example, in a large urban renewal project it again potentially becomes another form of the old social housing model, where you can tell exactly where they are.

There are some fundamental issues around how it is good to have the stock but then how that is integrated into an overall vertical community—which is often through your urban renewal situations—becomes a challenge because the stock that is being provided is still at a lower standard than the other stock within that project. So there is this issue of equity there as well.

There are a number of attempts to provide policy statements regarding diversity of lot sizes, housing sizes or apartment sizes within developments at a number of councils. Local governments are trying to implement through good planning, if you like. Their success level is often compromised by the challenge of arbitration and the fact that the policy is only as strong as the legal backing that it has. With a range of housing lots, for example, in our growth areas—and I think we need to be careful that we do not just get stuck in a discussion about our growth areas here—you might have a broader range of lot sizes. That can help achieve a greater density. Achieving that greater density can help achieve threshold levels to support retailers, core community services and public transport infrastructure.

That is a way in which an inclusionary zone in a policy principle can help you achieve certain thresholds—which other government departments, for example, set as they need before they can deliver. It is a way of packaging that. Stuart made the point earlier that we get caught in a time lag where the houses are there, the people are there and the infrastructure may come one day. People are buying on the dream that it will occur.

The other thing inclusionary zoning—and maybe the concept of contributions—has the potential to do is provide some of the infrastructure before the community arrives. There is a lot of detail that could be gone into, but, again, at a basic level, if a contribution or a levy scheme is implemented to provide infrastructure, the first argument that comes back is: ‘We’ve got to pass that on, so that’s going to affect your affordability indicators.’ You can see how that links back to the need to look at this as a three- or four-pronged attack, where there is legislation, there are financial solutions and then there are education solutions.

The reason we thought we would focus on the education or change management solutions is that, if we keep telling people that they want the four-bedroom, two-bathroom home, then that is what they will keep asking for. Product builders—I will not name them—the people who build houses en masse off design, will continue

to do that until such time as there is a shift in demand. A way to shift demand is to make lot sizes that no longer fit those standard housing products. There are ways in which we can do it.

I want to highlight another earlier point. Some of the most successful residential developments in Melbourne right now are the sales of 40-square-metre studio or one-bedroom units and 60-square-metre two-bedroom units. You can buy them for a price of about \$270,000 and be 70 metres from Chapel Street, which is the life and soul street, within walking distance of a train station that can put you on four railway lines. They cannot build those things quickly enough. So the notion that the only place that you can buy something that is affordable is out on the fringes is fundamentally flawed as well. The problem that we have here, though, is that getting those developments to occur in suburbs such as South Yarra often requires them to go through the community process, which is a change process, which ends up in a tribunal, which ends up with someone making a decision that it is good for all of us. So we have got this problem again. The point I am trying to make is that the notion that people do not want it is also fundamentally flawed.

People have the choice. They can say: 'I can live in South Yarra off Chapel Street for the same price that I can live in a much bigger house with a two-car garage and 600 square metres of land on the urban fringe. In South Yarra I can have complete access to a range of things including employment et cetera, and on the urban fringe I can make sure I've got enough cars to fill the garage, because we are going to need them.' There is an imbalance occurring. To get more in the South Yarra type bucket again requires change.

CHAIR—I wonder if we have also changed attitudes about when we make the most significant purchases. Mr Worn, I think you said that we all grow up sharing the bathroom with our siblings and our parents; yes, we do. However, I wonder if there has been a change in attitude as well, which you might be able to comment on, with people deciding that they are going to buy only one home. So they buy a four-bedroom, two-bathroom home when they are 23 instead of buying it when they are 35 and have the children to put in the bedrooms, the cars to put in the garages and so on. Instead of staggering their purchase based on their requirements at the time, perhaps they just do the big one first up, entering the market at \$600,000, and stay there for the next 10,000 years, unless of course their house gets reposessed.

Mr Worn—I think your idea is—

CHAIR—You are going to talk about siblings, I can tell, Mr Worn.

Mr Worn—I think your idea is an interesting one, but it is not across the board. In fact, we do not see people ageing in place any more. We do not facilitate people growing old in their suburbs. We do not allow families to have three generations living in their homes, as traditionally we have seen. It is no longer the norm in Australia to have people being tucked into granny flats in backyards. Even if they live in the outer suburbs, they do not have a backyard in which to build a granny flat. I think what you are suggesting is true for a proportion of the population, but it is not true across the board.

Part of the change in culture has been a change in expectations. I think people now no longer necessarily think all the time that they will grow old in that house; they think they will have to change houses, and the phenomena of tree change and sea change have been part of that. There is an expectation that, when you finish working formally, you retire to the sea or to the country. Your house is part of your super plan, in that you will sell your house in the inner urban ring to buy the dream property at Daylesford or wherever it might be. The model is not necessarily the same across the board any more.

However, there are still people who, as you say, buy the house with the \$450,000 mortgage, which takes up 40 or 50 per cent of their income. They spend the rest of their lives paying it off and they do try to live in it. But that is not necessarily across the board, because we also have singles, separated parents, those with no income, those with and without children—all those various acronyms, the DINKs and the 'WINKs'. All those people who did not necessarily exist previously are now a part of the housing market. The 'WINKs' do not really exist; I made them up.

CHAIR—You left out the SINKs though.

Mr Worn—Yes, that is right.

CHAIR—They are the 'single income no kids'.

Mr Black—Yes, that is right. We have become sidetracked.

Mr Worn—I guess there is the other notion, which is the amount of stress people are placing on themselves by supposedly thinking that is what they really need. If we put on our social planning hat, we probably need to change that as well. The idea that you buy a certain house because you think you will need the four bedrooms,

the home theatre and the kids' playroom is quite concerning. Looking at the trends to smaller household sizes and at people who are more career focused who are making family decisions later et cetera, you will see that people's perceptions of the housing they need and the lifestyles they are living do not come together strongly enough to say that the trend in the way our families are formed now has changed. We, as a society, probably need to think a little more about being clever enough or able enough to highlight to people what they think their housing needs are versus their lifestyle trends. Again, it comes back to this: if they understand the alternatives a bit better, maybe they will make their first stepping stone a smaller apartment, where they will get a great lifestyle but they still will have entered the market. Then, if they end up with the kids that they do not plan to end up with, they can move out.

Typically our cities have been formed by people growing up in a suburb and then moving to an adjoining suburb or to the one next to that. When people get to the age of 18, 25 or whatever, they try to buy a house they can afford closest to the family home, and that typically leads to the jumping of suburbs. Imagine for a moment that instead of going out those people go in. The only way they are going to go in is if we increase the densities of our inner areas and change the way we see our cities forming. But if people made the decision to go in, they would get a more serviced lifestyle. That is fundamentally changing the way our cities have been formed for 100 years.

Senator SIEWERT—When you say 'go in', do you mean go further into the city rather than out?

Mr Worn—Yes.

Senator SIEWERT—Some cities have been trying to encourage that. The issue—certainly in Perth—is that it costs you much more to do that. There are a lot of developments—and I presume it is happening around the rest of Australia—where you sell off your backyard and another house goes up at the back, but inevitably that is at a high cost because the land is a high price and then there is the building. Inevitably they build a house on that land that justifies the cost of the land. You do not build a cheap house on an expensive block of land because you have your eye on resale. I have asked this a couple of times: how do we make redevelopment in the city affordable?

Mr Black—If we take a standard block of land or some blocks of land and build single-dwelling type densities, we will not achieve what I am talking about. If we take an 800-square-metre block of land or a 650-square-metre block of land and encourage people to put some parcels together and grow vertically on a scale that is somewhat different from a dual occupancy or three dwellings on a lot, then you can start to peel some of the costs back. That is the notion of the 40- to 60-square-metre dwellings that people are going into. The reason why it is a real problem and we do not see more of that is that, every time someone proposes such a thing, it is seen as preposterous because that is not the way we live in Melbourne, particularly; typically we have a detached dwelling. So to say that that is the way we are going to live in the future is not seen as right. If we got past the notion that every time we want one of those developments to occur there is a battle, we would probably see developers and the developing industry more interested in doing those types of developments because automatically they would save 12 months in holding costs, because that is what the battle takes. It is easier, so they can get into a project and get out of a project. There are all these decisions that developers are making based on financial modelling, effectively.

Again, we only have to look back five years when every corner block was basically earmarked as a panacea to our density issue—every corner block would have two drawings on it instead of one. We went through that for a few years and just about every block got a second house on it. Now we are at the next stage, because people are still coming and we have to do something with them. We are at the time now—and it is why we talk about an education process—when we need to change ourselves and, like other cities around the world of this scale, we have to think vertical density.

Senator SIEWERT—I am not disagreeing with you—and I will use Perth in my home state as an example—but they have redeveloped East Perth, for example. A lot of us call it LEGOLAND. Besides being rude about it, let me say that it is very, very expensive. The inner city dwellings that are being built are very nice but most of them are being built at the higher end of the market, so, while they are doing one-bedroom or two-bedroom dwellings, they are quite expensive. Some of it is very ugly, which is why we call it LEGOLAND. I am sure the people who live there do not think it is ugly—

CHAIR—They will know what you think now.

Senator SIEWERT—The point is, without being silly, that it is expensive, so it is cutting out the people that may very well want to go in. In fact, I know people that do want to go in but cannot afford the entry-level

price because it is at the higher end of the market. They do want something exactly like you are talking about but they have to go way out of the city to get housing that they can afford.

Mr Black—I know Stuart would like to comment on this. The one other thing that I would say about this higher density type development is that every time we put a car park in it costs \$30,000, so, again, there is this notion of travel and of what we expect. We expect to have the car, the this, the that and the other, but every time we prescribe that—which is what we do at the moment, honestly; we prescribe that when you build a house you need a car space—we are contributing to the cost again. Perth is an interesting example of how things have got a little bit distorted in the way that they are formed. In East Perth, it is a renewal project, it is very well located and a number of things like that, but the people who are buying into those areas are probably not what I would call a typical cross-section of a community because of what Perth has formed as, through the resources boom and things like that. When we come back and look in Melbourne, we say to ourselves, ‘There’s probably a greater spectrum of people who are actually looking into those in the cities,’ and that is why a lot of people—40 square metres is not very big—are willing to take that as a lifestyle, whereas in East Perth they were not willing to take that option.

Senator SIEWERT—I think there is a market for that growing in Perth but it is not being provided for, because what is being built is expensive. What I am asking is: does government, local government or whatever, need to be saying—

Mr Black—‘This is what we expect.’

Senator SIEWERT—‘This is the zone for this particular type of more affordable inner city developments.’

Mr Black—Your inclusionary zoning would kick in, and that is where it fits most relevantly. If there is not a natural consumer market that can be fed at an equilibrium price then we need to legislate to create for it. It is different in each of our cities, though, which makes it an interesting thing to contemplate when you talk to a Senate committee. When you are looking at the different cities, is there a solution for every city that can be applied everywhere? There is probably a toolkit, for want of a better word, where there are those three or four key themes that need to be carried through, but you would hate to think that you had an inclusionary zoning policy and you were not also trying to help your community understand why that would be a good lifestyle for them. Otherwise, there would be natural social implications when people felt that they had just been stuck in low-income housing.

Senator SIEWERT—You said there is no market in Perth, for example; I am just wondering how you know. I know from personal experience, having looked at the market in Perth, that the sorts of things that my family were looking for were not available. We were going to join with my father-in-law to buy a house because we could not find what we needed. We were looking for exactly what you are describing, and we were priced way out of the market. I could not say that to anybody because we had to compromise on what we wanted. So I am just wondering, when you say there is no market for it, how much market there is where needs are not being met so you do not know about them.

Mr Black—Yes, I probably used the term too loosely in that example. By ‘the market’ I meant the one where the demand and supply are basically getting somewhere close together. So, where there is a continued demand for a higher priced product, that is where the developer will go. In cities such as Melbourne, there is a larger population, for a start, so the cross-section is the same but the number within each category is higher, so developers position themselves differently.

Mr Worn—There are other mechanisms that I think we should put on the table. We have talked about inclusion zoning areas, but there are mechanisms such as housing cooperatives that can, under rules, help to supply accommodation for different demographic sectors. So it is not just about regulation; it is also about government assisting, supporting or subsidising mechanisms to help address getting people into that demand side of the market. Increasing the supply will generate further demand and therefore more people will want to come into the market. So there are mechanisms other than just legislative ones to address this. Again, we touched on tax, and I suppose something we have not spoken about—but we have spoken about it in the national submission—is the role of the rental market in meeting this as well. If we were to facilitate landlords wanting to provide cheaper accommodation, that would also create demand because the people would start renting there and ultimately want to buy there. Therefore that would create the demand for the developers to supply that product.

Mr Black—I might take this opportunity to briefly highlight one key market segment that seems to have things kind of right, and that is the student accommodation market. Students need to be near a certain number

of things. They need to be near transport because a lot of them do not have cars—they often come from overseas—they need to be near their place of study during the day, and then they need to be near services and facilities.

Senator MOORE—The pub?

Mr Black—Yes, the pub! When you actually look at how that market has established itself in some of our cities, there is a very interesting understanding of how needs are being met by the development industry. These are profitable developments, but what they are delivering is what meets the needs of the community they are delivering for. It helps us understand a little bit about the drivers behind the development.

Senator COLBECK—There are some interesting concepts. Regarding the discussion you have had in respect of re-educating the community about what they want in housing, I think it is probably fair to say that where we are at the moment is learned behaviour based on where the market has taken us, and it is probably the market that is going to drive the re-education of those seeking to get into the housing market now because it is of necessity. Increased wealth has driven prices and aspirations higher, but then the change in the tides starts to drive things back the other way and therefore there is some relearning or readjustment of the behaviours that has to become part of the market pushing us where we have to go rather than where we necessarily want to go. You mentioned that the 2030 plan should be addressed more quickly because it would help address housing affordability. How do you see that working?

Mr Worn—Melbourne 2030 is about creating a more liveable, sustainable and affordable Melbourne. They are all interlinked and there are a number of policies under the nine directions of Melbourne 2030 that work collectively to achieve that. The idea of delivering that document is not about cherry-picking the things you can do quickly; it is about delivering a document in its entirety as quickly as we can. We are five years into that document and, like lots of other strategic plans that capital cities and regional centres come up with, they need to be delivered. We did not necessarily mean to pick that one up; we could have picked out the Sydney 2030 strategy or the one in south-east Queensland as examples. They all will deliver a number of the outcomes that we want. I suppose my argument is that you have to create sustainable places because that is what the community now wants. We do not want environmentally unsustainable housing. We will not live somewhere that we consider to be unliveable. We want lifestyle; we want all those things that the developers are marketing to us; we want connections with our community; we want recreation, passive and active; we want all those lovely things that we think are important in our lives and we all agree with—but we also want it to be affordable. I suppose documents of that nature deliver those things. You cannot just say, ‘We want the affordability now.’ You have to link all the things together to get the outcome you want.

Senator COLBECK—You talked about different lot sizes and the incorporation of different lot sizes into new developments. Do you have any examples of that working in a practical way at the moment, and how many of the local planning schemes would that actually fit into? Are there restrictions that currently exist within local government planning schemes that have, say, minimum lot sizes that would restrict that variation in lot sizes from coming into place? If there are, I presume that is a barrier as well.

Mr Black—I can give a very live example. It is something I happen to be working on in my professional life. It is a project to do with planning for a new community, so it does not exist now. I talked about that in reference to delivery and on retail needs, on community infrastructure needs and on public transport needs. Basically, right now, if you take the Melbourne 2030 line and you look at all the things that we have to achieve in regard to public transport et cetera et cetera, to get to those outcomes you need to increase the densities. In order to take baby steps, if you like, in a growth area sense, from 650-square-metre blocks to something different that will hopefully deliver the densities that get you some shops near your house, a maternal-child health centre near your house and a bus that runs somewhere near your house, you need to increase the density.

The difference in looking at a community is significant, based on the number of housing lots that you get out of a development, so what the government in Victoria is now looking to do through precinct structure plans is to come up with a plan that effectively demonstrates that, if you reach X density, you will get X services. Through that, the only way you can actually achieve the services, because of this example, is to effectively change the percentage of what you would call high-density lots, which are 150 or 250 square metres; significantly increase the medium-density lots, which are 250 to 400 square metres; and bring your standard lot down to no greater than 515 square metres. Basically, the notion is that we need to change the way that we have typically formed our growth areas by following those trigger points and tweaking the percentages—so, 10 per cent high, 25 to 35 per cent medium and then the rest at around the average of 515 square metres—to

deliver a community. The trouble that we have and the argument that we have right now is that the major land developers in Australia would raise one question: ‘We don’t have the ability to do that because then our project builders don’t have a house that can go on that lot.’

Senator COLBECK—And that is an excuse because?

Mr Black—Therefore it has to become a purpose-built house, so you have to get an independent builder, whose costs are significantly more because they are building a house rather than pulling one off a production line.

Senator COLBECK—Effectively, you have just introduced another element into the argument that the developers would use as to why they are producing four-bedroom, two-bathroom, three-garage houses. It has nothing to do with what the markets want; it is because they have got nothing designed to fit it.

Mr Black—So there is an interesting change required, isn’t there?

Senator COLBECK—Having worked in the construction industry for 25 years, I would not have thought it was all that difficult to design something differently.

Mr Black—Neither would we. I guess this is the point, until such time as we say, ‘The lots need to be X to achieve these better community outcomes.’ Just to reinforce the point: we need X amount of people to be able to tick the box to say that we can deliver X amount of services. We therefore need to change the way we are delivering that number of lots.

Mr Worn—Can we just add to this. If you look at the Epping North scenario, which is Eureka, all the small lots there sold out before the larger lots sold.

Senator COLBECK—And the reason they sold out earlier is what? Price or desirability or what?

Mr Black—Yes, there is a price part.

Senator COLBECK—What are the drivers?

Mr Black—One of the cases in that example was that the developer said, ‘We will build the product, so you buy the house and land package,’ so there was enough critical mass in the project to make it worth while to build a tailor-made small product.

Senator COLBECK—Okay. And there are not particular issues with planning schemes that are holding this process back?

Mr Black—There is and there isn’t. It is a market acceptance as much as anything else. It is quite an interesting thing that is being played out at the moment, because through this precinct structure planning process, which is going to dictate lot sizes and things like that, the current indication is that that will be challenged by the people who will develop the land. One reason is the project builder situation, but the other one is that there is a plethora of market research that tells you that it is in fact four bedrooms, two bathrooms and two cars that everyone wants.

CHAIR—Which brings us back to where we started.

Mr Black—Yes. It is a circular discussion, but that is the other reason. There is the notion that we actually have to say, ‘You can have a house with no services as a community,’ and that is where we started off, right at the start. You either deliver the big house—and I think someone may have mentioned the word ‘McMansion’—or you deliver an affordable community outcome or a lifestyle outcome.

CHAIR—Thank you. We are running over time. Senator Moore, do you have any questions? Thank you. I appreciate your forbearance, Senator Moore. I was very generous before, so I figure that is the deal! I just put my own generosity on the record—there we are. That was a bit indulgent. Gentlemen, I thank you both very much for meeting with us in Geelong this afternoon. We really appreciate your time and the propositions that you have put to us. It was a very interesting exchange. We thank you for your submission and the extra material that you gave us as well. I am sure your journal will keep us all amused for a while. Thank you very much.

[4.37 pm]

MORAN, Dr Alan, Director, Deregulation, Institute of Public Affairs

CHAIR—I am sorry to keep you waiting, Dr Moran. We appreciate you joining us this afternoon. We have had the opportunity to look at some of your material. I would like to invite you to make an opening statement, and we will go to questions after that.

Dr Moran—Okay. First, when we are talking about housing affordability, we are really talking about the general housing sector. I think we all know that house prices have risen very strongly across Australia in all major cities. In real terms, they have increased by between 50 and 100 per cent since 1993 across the whole of the cities. Overwhelmingly, this price increase has been as a result of the land factor. The actual structure itself, the three-bedroom house—the sort of house you were talking about, almost a McMansion—with two garages et cetera and 25 squares plus can be purchased anywhere in Australia at about \$130,000. So the house itself is \$130,000. On top of that, of course, you have to buy the land.

There are two factors in the land. One is what we call the improvement, I guess, which is the sewerage, the roads, Telstra lines, the water et cetera, and that costs roughly—it is a pretty competitive business—\$50,000 a block for a developer to do it. There are hundreds of developers around Australia all competing feverishly for that kind of business. On top of that, there is the land itself, and the price of the land is dictated by its availability. Land, in its normal usage on the periphery of cities, as anyone involved in agriculture will know, goes for, at most, \$5,000 per hectare—that is the value of land in its alternative use, its normal use. Ninety nine per cent of the land, if it is not reserved for something else, is used for farming, and that is the price at which farming land transacts. And of course \$5,000 per hectare translates to about \$500 per block; there are roughly 10 blocks per hectare. So, in other words, the underlying cost of the land should be about \$50,000, and when we add that on to the price of a house we ought to be seeing prices something of the order of under \$200,000 for a fairly substantial new house. And yet what we find is that the price is anything upwards of \$100,000 more than that. In fact, in this city it is about \$100,000 more than that basic cost; in Sydney, it is almost \$300,000 more than that basic cost. We have created this kind of scarcity because governments will not release land.

We can examine those costs in Australia by looking at global trends, and the best way of doing that is normally to compare the median price of a house with median income levels. In Australia, the figure is 6.5: in other words, the price of the median house is 6.5 times the median income level. That is one of the highest in the world. It is about four in the United States and in Canada. But it varies a lot, as you know, between different cities here and different cities in other countries as well. For example, in North America that figure is over 11 for LA and San Francisco, and something close to that for New York, whereas in Quebec, Houston, Dallas, Atlanta and a whole host of other places, it is more like three—in other words, half the relative cost that we have here in Australia.

The basic driver of affordability is this increase that we have created in terms of the scarcity value of the land itself, which adds \$100,000 to \$300,000 to the price of a house. One myth that we need to dismiss is that this is, in some way, market-driven. It is not market-driven; it is regulation-driven. Another myth goes, 'We must be at capacity levels'. Perth, you mentioned, is going great guns. But if you look at the numbers of new dwellings being built in every major city, including Perth, right now, those are less than they were in, say, the early nineties, so we cannot be running into some sort of basic capacity level. Others will say, 'We do not want this urban sprawl; it is awful—it is like a slug going through the whole country'. I think that is how it was first talked of in England a century or so ago. But urban sprawl is a joke in the Australian context—0.3 per cent of our land is urbanised, compared to eight per cent in England, and so it goes for other places. Even in Victoria, which is probably the most urbanised state, it is less than one per cent. People will say, 'Sydney is a really special case because it is hemmed in by the mountains and the national parks and the sea'. But, even in Sydney, the Cumberland Plain could fit another million houses, which is more than anybody is contemplating Sydney would grow by in any event. So there is stacks of land all over.

Others say, 'Nobody wants to live in areas removed from the CBD; they want to live in the CBD; they want to live in the dense communities,' as many of us do here, I suppose. The fact is that property closer in has a premium and always has had a premium. But a lot of people want to live further out in the suburbs. In fact, they prefer to live further out in the suburbs. The key thing about it is that if they do not want to live there the builders will not build or, if they do build, they will go broke. Nobody is forcing people to go out there.

Builders are making decisions about where people want to go and they are building in response to that market demand.

There are another couple of myths. One is that we need inner suburbs because it is easier to service them and we can provide transport costs. The fact is that it is not easier to service the inner suburbs; it is actually more expensive to replace the infrastructure there than it is to build new infrastructure in the outer areas. And as for transport, that is a bit of a myth as well, because it is a paradigm which is 50 years old. Something like five per cent of trips go to the CBD, or radiate from the CBD—maybe it is 12 per cent for work trips and five per cent of overall trips—and these are the only areas where public transport can actually perform effectively. So, because of the car, and the whole nature of industrial production and service production, we are moving across town all the way, and public transport really cannot cope with that.

One of the key things is development on the periphery, but I would not actually discount the redevelopment in the suburbs. There we run into another problem: the Save Our Suburbs people or various NIMBY groups who do not want development on their doorstep. We have seen that with Camberwell Station in this state; it has been held up for 14 years by various appeals and things like that. Here is a place that those gentlemen who were before me would think would be the ideal development—it is on a station, it is fairly close in and it goes straight to the CBD—yet there are mechanisms to prevent that happening.

Finally, of course, we have other arguments, such as peak oil. People are saying that that is going to happen and therefore people will be stranded. Who knows what peak oil means! Others say that it is greenhouse gases. There is actually an irony about the greenhouse gases argument, because one group, which is, in my view, normally a highly unreliable source—the ACF—has detailed data about the carbon footprint of every suburb in Australia which shows that these footprints are much higher in the inner suburbs.

In conclusion, the key thing we can do throughout Australia to reduce the unaffordability of housing is to open up land. The trick is to do that in a way which does not cause a lot of distress for people, whether they are developers or new buyers, who might see their land prices collapse. That is the only way we can do it. We have created an artificial crisis through government regulation and we can uncreate it.

CHAIR—Thank you. We will now go to questions. I think this is good timing for us in terms of the contestability of the ideas that we have been working with in the hearing. I am a senator for New South Wales and I am based in Parramatta. If I recall correctly, when we were in Campbelltown in Western Sydney, the view of the council there—and some of your remarks about ‘elected busybodies’ I assume, in part at least, refer to councillors—was that they thought they had quite a bit of land and were doing okay with the land. They enumerated their lots and what was available for development, what was partly through construction and things like that. It seemed to me that they thought they were doing reasonable business in that process and were reasonably happy with themselves. I think that is a fair observation. They probably would say: ‘Well, we think we are keeping up with the requirements. We are doing okay.’ But the entry level price for houses in Campbelltown in Western Sydney is still closer to \$600K than anything else—that is for the four bedrooms, two bathrooms and three car numbers. They say also that that is what people want, so that is what the developers keep building and they keep planning for. They would probably disagree with you that they are not releasing enough land and that that is the problem.

Dr Moran—The fact is that it is not what people want. Nobody wants to pay \$600,000 if you can get it for \$300,000.

CHAIR—Quite.

Dr Moran—The fact is that there is stacks of land out there in Western Sydney that could be released. It is not released. If soap powder is rationed then the price will go up. If land is rationed, the price will go up. The fact is that the test is, ‘Why is the land so expensive as improved land?’ It cannot be the fact that it has cost a lot of money to improve the land. It is pretty straightforward—putting a bit of concrete in, some pipes and things like that.

CHAIR—Roads, kerbing, guttering and sewerage.

Dr Moran—All of those things are pretty straightforward and well known to the industry. If the market price is not at these much lower levels—\$300,000 lower in that case—it is because scarcity has driven it up and they are not doing a good job. I might say that they often are responding to their own constituents, and maybe this is the elected busybody aspect. The elections along the whole of the coast of Queensland were essentially about stopping development. People are voting in that way to stop developments. One might say

that that is a democratic process, but one might also say that stopping me from using my land as I see fit is pretty antidemocratic or antiproperty.

CHAIR—When you say ‘stopping me from using my land as I see fit’, you mean the sorts of things that we would call infrastructure requirements that make developers pay developer contributions and things like that so that they can establish the structure around the land release.

Dr Moran—Nobody likes paying for that, but essentially that is not the key issue. A lot of that developer contribution is fraudulent. There is no real developer contribution. It is development for a high dam somewhere and using that water from a high dam whether you are in the centre of the city or somewhere else.

CHAIR—Indeed, and that is an issue that we have pursued—not high dams but public libraries and such.

Dr Moran—That aside, I think what you have to bear in mind in developments is that the developer pays all the costs, basically. There are trunk roads, but the developer takes a piece of virgin land, converts it, improves it or whatever and links it to a few trunk roads et cetera. So it is not really a matter that the council in Camberwell or anywhere else has any financial stake in.

CHAIR—What do they want to build at Camberwell that has taken them 14 years to talk about?

Dr Moran—They want to build some apartments over at the railway station, and we have international stars coming back to Australia, having lived in England or Hollywood for 20 years, telling us that this would be bad.

CHAIR—They possibly came back for the summit! I am not a Victorian. I am still trying to work out where Caroline Springs is. What do you think of the 2030 strategy here in Victoria and the application of new urban growth zones around that process?

Dr Moran—It is difficult to know what it all means. In a lot of ways it is a paper thing—it is dynamic, it is organic and all that sort of business.

CHAIR—It is what and organic?

Dr Moran—It is organic—it grows, it changes, it adapts and all that kind of stuff. But, fundamentally, it is about preventing people from building. Fundamentally, 2030 is about saying, ‘We’ll put a zone around Melbourne. We’ll stretch it a little bit here and we’ll stretch it a little bit there. Maybe some developers will come in and make a persuasive case’—I am not saying they give cash, but sometimes they do; or they have done so in other places—that they can open this or that area.’ Essentially, Melbourne 2030 is an urban growth boundary, and then there are some sorts of requirements, or wishes, that this move here and this move there. Usually it is a distortion of what the market would provide. Sometimes you can see it being frustrated. For example, we have seen direct factory outlets all around Australian cities caused by the fact that the federal government has jurisdiction over the airports and has sold part of the land. It has totally frustrated state governments because state governments have carefully planned this shopping centre and that shopping centre but the consumer wants ‘that’ one and somebody has gone and built it because they can sideswipe the regulations.

Senator COLBECK—I am interested in how you see the effects of the planning process. We heard this morning about the almost immediate enormous growth in value of a piece of property once it had received the golden tick and how from that grew the concept of capturing the betterment value of the land. As I understand your processes, those things are much less likely to occur if there is much less restriction on the direction as to where things might go and there is a more organic growth that has much less restriction over it.

Dr Moran—That is right. It is hardly surprising that there are colossal profits to be made. If you have a piece of farmland, dirt, outside Melbourne Airport or wherever and you can get that converted to building land, you have suddenly had a 100-fold or more increase in the value of that land. So you will go to a lot of lobbying lengths or any other lengths to try to capture that value. But it is only there because of the scarcity. If everybody could do it, there would be no scarcity value. It would be just as it was, say, in the 1970s or 1980s. It would be pretty well a standard price for virgin land, obviously somewhat closer into the city, but nothing like the sorts of standards we see at the present time.

Senator COLBECK—In some of the remarks you made, you mentioned planning schemes in the US state of Texas. How fundamentally do their processes differ from what we have here, which is obviously a very much directed and interventionist type system?

Dr Moran—In Texas, and in places like Germany as well, there is really an automatic right to build. If you own land you can build on it. There may be some environmental reasons why you cannot do it, and you

obviously cannot trash your neighbour's resource in building on it, but generally you can automatically do it. What happens in Texas—basically Dallas and Houston—is that developers leapfrog the centres and then apply to be brought into the centres. Usually that is a mutually agreed decision because there is more rateable value et cetera and the new offspring city or suburbs do want to be part of it. They see some relevance and some merit in being part of Dallas or Houston rather than on their own.

Basically, the process is that you go and find some land. You then demonstrate that you are not going to disadvantage your immediate neighbours or whatever in some way. Then you go and build and then you find customers. The price of a new house on the periphery of Houston or Dallas, or Atlanta or Quebec, is something of the order of \$200,000 or less. It actually costs more to build houses in those places for one reason or another. We have very efficient cottage type house building in Australia, and you probably realise that from your own background. It costs more, but, of course, some units are half the price.

Senator COLBECK—Do you think that the actual planning process itself actually starts to strangle things? We have had some discussion about it today: the creative tension between the breadth of democracy and allowing everybody to have their say on what is going to happen in their community—the inclusiveness and the overall community health type concept where you encourage everyone to participate. It appears to be a really fine balance. Having been involved in some planning decisions at local government level, you see the tensions between wanting a development to occur for a broader community interest and a small local interest that says, 'This might impact on me.' The example of Camberwell that we were talking about is a perfect one

Dr Moran—I think it is. Basically, if everyone has a right to dictate what you do with your property, it is no longer your property—I suppose that is the thing. On the other hand, you really do not have unlimited rights to things. In the end—

Senator COLBECK—There are bounds.

Dr Moran—Yes. In fact, what they have in Victoria, the Victorian residential code, is quite a good compromise between those things. What happens after that is that, if the objectors then start trying to fight through the courts and various things, you can stymie the compromise. But, if you accept that this much has to be green space and you cannot build above this height under certain circumstances—all those common-sense things; 'How do I develop my property without impinging adversely upon my neighbour'—those compromises are encapsulated in the code, but there are appeal processes beyond that, including through the media and politicians, which can frustrate it.

CHAIR—One of the things that we have been talking about in the past few weeks, and we have done a reasonable round through Australia so far—we still have Tasmania and South Australia after we finish here tomorrow—with developers, planners, councils, community organisations and everyone who has come before us is that it seems that one of the primary concerns about housing affordability in Australia is around a lack of variety of housing stock and diversity. If we were to say, 'Well, perhaps councils and/or governments can more assertively mandate the sort of stock that is built on the land to increase supply,' which would at least respond to your concerns, would you have further concerns about the type of stock being strictly mandated?

Dr Moran—The key thing is to actually release more land, and that will drive down the price. But then, if in fact in releasing the land you put some caveats on the release that say, 'I'm going to release that land, but you have to build low-income housing or this housing or whatever'—

CHAIR—A mix of housing is what we are talking about.

Dr Moran—If it is a mix of housing and it does not correspond to what the consumer or the market wants, then it will raise the overall costs in some way. Essentially, the developer wants a mix of housing. He has all this land, he wants to maximise his profits, and so he is going to build some small units—or all large units, if he can get a better price from them. But if in fact the market wants the kinds of small units that many of the planners say they do want, then the builders will build them. They are in the business of making a profit.

CHAIR—But they are not really doing that, are they?

Dr Moran—Then they are responding to the market and the market is saying—

CHAIR—But isn't it conceivable that that part of the market that wants the slightly different stock—that is, not the four-bedroom, two-bathroom, three-car-space market—does not really have a particularly strong voice? In terms of the representations that have been made to us: if you were to take a greenfields site—Western Sydney would be a good place to start, or perhaps parts of the community surrounding Geelong—and if you were to build within that site, mandated, if there were no other way to do it, a mix of dwellings, which

included the much-lamented McMansions, and then something slightly down from that to a point where you were also building duplexes and perhaps cottages and so on—it could still be a perfectly pleasant environment, and there is no reason why it should not be—then wouldn't that respond to the broad of the market and the broad of the community demand, even though part of the market has a very quiet voice?

Dr Moran—I do not know. If it did, then what you are saying is that the market research is wrong—the people building these houses are not attuned to the market.

CHAIR—I may indeed be saying that.

Dr Moran—Who knows? That could be right. One of the dangers that I was talking about is that, if they have got it wrong, politicians and bureaucrats are going to get wrong as well and are going to be pushing certain barrows—

Senator SIEWERT—The point is, they are pushing profit-driven barrows.

Dr Moran—Who are?

Senator SIEWERT—The developers.

Dr Moran—Sure.

Senator SIEWERT—The builders are pushing profit-driven barrows, and it is in their interests to build at the height of the market where they are going to get lots of money.

Dr Moran—Of course.

Senator SIEWERT—And consumers have also been borrowing large amounts of money—in my opinion, probably beyond their capabilities—and have been encouraged to do so by our lending institutions. So that has put a skewed view on the market and, as we are seeing now, people are in way out of their depth.

Dr Moran—I am not sure where that leads you to, though. I am not sure whether it says that we need a body to vet people's lending capabilities and not allow them to get in over their heads. Certainly, when we say that the developers or the builders who are building are profit-driven, that really is saying they are going to make more money doing that because that is pleasing the market. They are profit-driven like a food company, a furniture company or any other company is. They are supplying a good which is demanded.

Senator SIEWERT—One of the many points I was trying to make is that you were saying that that puts politicians and local government in the same barrow, because we are all trying to push a barrow. What I am saying is: I am certainly not trying to push a profit-driven barrow—I am trying to find out what is best for the community, whereas developers are very definitely pushing a profit-driven barrow. We have not all got the same motives when we are making decisions.

Dr Moran—That is true, but the builders are pushing a profit-driven barrow and they can only make that profit if they are producing things which the consumer wants. So it is profit-driven.

Senator SIEWERT—We had our planners earlier saying that that has been part of an education process that has been going on, they maintain, being driven by those very same developers. And what they were saying was that there needs to be a re-education program. I think you were here for part of what they were saying—though you may not have been here at the beginning—which is that there should be more education about, I think, a whole lot of things, and finance is one of them. There should be education encouraging people to not have such high expectations of the four-bedroom, two-bathroom type. In Western Australia, we have the highest spare-bedroom rate in the country because people have been building McMansions and they are not being used.

Dr Moran—But the cost of the actual building of that structure itself is trivial. That is not the real cost; the land is the cost. To build a four-bedroom rather than a three-bedroom house costs you maybe ten grand. When we are talking about, say, \$600,000 in Western Australia, that is a trivial part of the cost.

Senator SIEWERT—It is not, in some parts.

Dr Moran—You tell me if it is more than 10 to 20 grand and I will show you a thousand builders who can do it.

CHAIR—We did spend some time talking about these issues, construction costs particularly, in remote and regional areas like Karratha, where you literally pay a double construction cost. Senator Siewert will be making a point, I assume, around that as well. You make an interesting analogy about the availability of taxi plates and the way governments restrict access. You call it a government-created shortage, I think, and

anybody who has been in Sydney at three o'clock on any working afternoon would absolutely agree with you. Could you expand on that for us—what do you mean when you make the analogy between that and land supply?

Dr Moran—There is no shortage of taxi plates; you can just print them. There is really no shortage of land supply. There is a massive oversupply, if you like, of rural land, which sells for peanuts, and there is a massive undersupply of land which Senator Colbeck said has got the tick from somebody and which then sells for 100-fold or more. Governments generally have been constricting the amount of land that is available for housing, and that is the same as constricting the number of taxicab licences. A taxicab licence trades for \$500,000 to \$700,000, depending on where it is for, and that is a pure artefact of regulation. It would trade for zero if just anybody who was competent to drive a cab and knew the road or whatever—passed some basic tests—could acquire one. Of course, that price must get factored into either some of the shortage issues you have mentioned or the simple price of a trip.

CHAIR—We had some very interesting figures given to us in Ballina, on the New South Wales North Coast, by an accountant who was a member of the Chamber of Commerce and Industry, about comparisons between the value of land when it is held by rural landholders, to which you have referred, when it is rezoned and available for release and what happens to it between point A and point B, which bear out many of the observations you have made, although he gave his evidence in a slightly different vein. What they have found as a council is that their issues are largely around battling state government and battling the other factors that impinge on effective development of land and properties in their area. In your planning document you talk about cost impositions that require water storage, heating measures, particular room layouts and so on. In an ideal world, would you remove all of those?

Dr Moran—I would certainly look at a lot of them and I would probably remove them all. These matters do add cost to a house, but builders have found smart ways of getting around them. Most people would say, 'Even so, you can build a near McMansion of 20-odd squares for \$130,000, in spite of having all of these requirements.' Maybe, without them, it would be \$115,000 or \$110,000, so there are some additional features that are being required of the buyer which the buyer may not want. Some may want them and some may not, but it is not an option. So there are those sorts of things over and above the land shortage. But I would say the focus has to be on the issue of the supply of land as a major factor in raising the price for houses, and that has a knock-on effect on rented houses and just about everything else.

CHAIR—Have you done any work on the approach that developers are accused of taking—and none of the developers we have had before us have said, 'Yes, we absolutely do that'—which is to obtain their land, make their purchases and then hold that land and restrict supply in that way?

Dr Moran—Yes. Of course, anybody would try to do that; they can jack the price up. But it is only possible if you have a monopoly. You cannot mention a place around Melbourne, the Sunshine Coast, Brisbane or Sydney where there are not dozens and dozens of developers, all of them buying land in competition with each other. They want the best price for it. If they could hold it and get a higher profit later on, they would—but they cannot, because their competitor would undercut them. That said, the developers are not here today and gone tomorrow; they have a business to run, so they have to have a stock of land.

A developer who goes bare—who buys on the spot market and builds and develops and builds—is not going to last very long in the market. He has employees to pay, he has offices, he has vehicles to run—he has a whole lot of things like that—so he is going to have a stock. He usually has it in different sorts of options—I do not know a great deal about this, but some of the developers you have spoken to would probably know about it—like taking the land in at various times in the future when it can be used for other purposes and so on. He needs it.

CHAIR—If you want an interesting study on the effect of the monopoly in terms of land release, a brief reading of the Karratha *Hansard*, if you do suffer from insomnia at any stage, and the work of LandCorp in that regard should keep you amused for hours—it certainly did us. I do not have any further questions and nor do my colleagues. Dr Moran, thank you very much for joining the committee this afternoon and providing us with the benefit of your views. It has been a very interesting discussion.

Dr Moran—You are most welcome. Thank you.

CHAIR—I declare this hearing of the Senate Select Committee on Housing Affordability in Australia adjourned. We will reconvene in Narre Warren tomorrow at 9 am.

Committee adjourned at 5.11 pm

