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## SENATE

STANDING COMMITTEE ON COMMUNITY AFFAIRS

**Reference: Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009**

TUESDAY, 10 FEBRUARY 2009

CANBERRA

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**SENATE STANDING COMMITTEE ON  
COMMUNITY AFFAIRS**

**Tuesday, 10 February 2009**

**Members:** Senator Moore (*Chair*), Senator Siewert (*Deputy Chair*), Senators Adams, Bilyk, Boyce, Carol Brown, Furner and Humphries

**Participating members:** Senators Abetz, Arbib, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Hefernan, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Adams, Bilyk, Boyce, Carol Brown, Fielding, Furner, Humphries, Ludlum, Moore, Siewert and Xenophon

**Terms of reference for the inquiry:**

To inquire into and report on: Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009

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**Committee met at 8.31 am**

**CHAIR (Senator Moore)**—Good morning everyone and welcome back. I know the witnesses were here yesterday, so welcome back. Our committee, the Senate Standing Committee on Community Affairs, is inquiring into the [Appropriation \(Nation Building and Jobs\) Bill \(No. 2\) 2008-2009](#) relating to the social housing program. You will be aware that there is a motion of the Senate that referred this particular bill to both the Senate Standing Committee on Community Affairs and the Senate Standing Committee on Finance and Public Administration.

[8.31 am]

**HELYAR, Ms Susan, Director, Services Development, UnitingCare Australia, Major Church Providers Group**

**QUINLAN, Mr Frank, Executive Director, Catholic Social Services Australia, Major Church Providers Group**

**CHAIR**—These are public proceedings and I welcome back Mr Frank Quinlan. You are representing the major church providers comprising Anglicare Australia, Catholic Social Services Australia, the Salvation Army and UnitingCare Australia. I am aware that Major David Eldridge is involved with work in Victoria and did attempt to come up yesterday but has gone back where he is most needed, so I put that on record.

I know you are both very experienced with this process, so you understand parliamentary privilege and protection of witnesses. We do have the combined statement that you put forward to the bills. Thank you very much. I now invite you to make a statement, then we will go to questions. This particular component runs until nine o'clock this morning.

**Mr Quinlan**—I wonder whether to speed proceedings, we did have an opening statement prepared that is probably longer than you need at this stage—

**CHAIR**—Would you like to table it, Mr Quinlan?

**Mr Quinlan**—If you are happy for us to table that, we could.

**CHAIR**—I am sure that is satisfactory.

**Mr Quinlan**—We could jump straight to some of the issues. I would just say, in opening, that the major church providers have obviously been concerned about the impacts of the global financial crisis for some time. We convened a special summit at the end of November last year to try to anticipate some of the impacts. It is really two pieces of work that arose from the preparations and outcomes of that summit which we have tabled before this committee as our submission on the issues before you.

We commissioned a report from Access Economics trying to anticipate some of the impacts of the global financial crisis on our services, but we have also prepared a raft of recommendations that really approach two issues. One is how we might assist the community services sector, and the social services sector more broadly, to prepare for the rising demand particularly resulting from higher unemployment, but also taking into account some of the historic issues that the sector has faced. The second is the sorts of initiatives that we could be undertaking in order to provide assistance to those who were most likely to need it.

It is in that context that I would comment more narrowly today about the housing initiatives in this bill in particular. I would begin by saying that, when we sought feedback from our very broad membership over the last few days, the feedback was that this package is unequivocally good and unequivocally welcomed. It is well overdue. Certainly it will only go part way to meeting the pent-up demand that there is for social and community housing in Australia. But the clear message from our broad membership was that the projects that were anticipated by this package are ready to go. There is enormous pent-up demand in the community and social housing area.

There will, of course, be implementation issues as the project hits the ground and the speed of implementation will depend, in part, on successfully overcoming some of the bureaucratic hurdles that might otherwise stand in the way of getting projects happening. Our broad networks are ready to be partners on these projects and ready to go with implementation. The 20,000 stock that is anticipated by this project only goes some way to meeting the anticipated demand and the anticipated need, but we think that this is a very welcome measure and an important first step.

**CHAIR**—Thank you, Mr Quinlan. Were you wishing to make a comment as well?

**Ms Helyar**—No, I will just respond to questions, thanks.

**Senator HUMPHRIES**—You made the comment, Mr Quinlan, that your constituent members think that this is a very good package. I was just wondering whether you would agree that it is our role in the Senate to make sure that Australia not only does something to respond to this major economic and social challenge, but also that it does the best possible thing it can. This is an extraordinarily large amount of money and we need, if possible, to make sure that, if there is anything that is not optimal about the package, that it is identified in the process of scrutiny that the Senate is undertaking?

**Mr Quinlan**—Absolutely and certainly, Senator. Although I have commented today on narrow aspects of the bill, I would be broadly supportive of the bill in any case. I did just want to be clear that, in relation to this package, from our perspective, it would be, frankly, hard for us to offer you advice about how you might improve this particular component of the package. That is not to go to any of the questions about the overall merits of the economic stimulus package, about its anticipated effects and so on—we are not qualified to offer you advice on some of that and the political process will yield what it yields. But certainly, I think you are well advised to explore any opportunities to improve the package.

**Senator HUMPHRIES**—I appreciate that. I would just like to turn to the document you have tabled for us, ‘The impact of the global financial crisis on social services in Australia’. One of the things that you say in that paper is:

Rising mortgage rates in recent years have placed growing pressure on indebted homeowners, increasing their level of vulnerability and the incidence of financial stress.

You talk, particularly, about the level of credit card debt, which has increased by 80 per cent and you quote the Reserve Bank on that. When I read that, what occurred to me to ask you was, if we think that a high level of credit card debt is a bad thing for Australian households, what, philosophically, is the difference between that and Australia as a whole effectively putting a very large increase in debt onto its national Visa card? Why is that kind of debt any less or more desirable than the kind of debt that households incur?

**Mr Quinlan**—I would not feel qualified to comment, particularly, on the economics of a country going into debt, except to say that, from our perspective, there are some basic community needs that the government ought to meet—the need for appropriate housing is one of them and the need for appropriate income support is another one. The question of meeting those needs then, it seems to me, from the government’s perspective, is then a question about budgeting rather than necessarily about debt. In my view, the government ought to meet those basic needs for all citizens and then make decisions about how it fashions its budget. So it could make choices to go into debt, it could make choices to cut back programs in non-essential areas, or it could allocate its budget priorities in other ways. As I said, I am not qualified to advise the government on the merits of moving into debt or not. But I do think that governments of all persuasions ought to focus on meeting the basic needs of all of their citizens and this is one of the measures that I think will help to achieve that.

**Ms Helyar**—I would also like to add that we very clearly recognise that this is primarily an economic stimulus measure. We think building social housing is a good way to promote activity and employment because it addresses the other policy pressure that has been rising over a long period of time. Also, one of the constraints on people participating in the labour market is unstable housing, so if you can help people access stable housing then it will also build their capacity to participate more broadly in economic life.

**Senator HUMPHRIES**—I do not think that anyone around this table would argue for a moment that an investment in housing is not a good thing. The question I put to you though is: if we as a nation incur the full \$200 billion worth of borrowings that this legislation in its totality entails, what kind of social impact will the repayment of that debt have on the people that you are speaking for today? The money has to be repaid at some point, and the cost of that is going to have to be affected either in the level of taxation or in the level and quality of services that Australian governments collectively deliver. How do we factor that into the decision that we make today about addressing immediately some important outstanding social issues like the quality and quantity of housing?

**Mr Quinlan**—I can only go back to the comments I made earlier. Our advice to the government would be that they, as a first call on resources, meet the basic requirements that citizens need for a reasonable life—housing being one of them and appropriate income support being another one. What happens to the rest of the budget and how other priorities are established seem to me to be questions for the economists and others.

**Senator LUDLAM**—Thank you for coming in again this morning at fairly short notice. You mentioned in your opening comments that the approximately 20,000 units that this package would fund would go some way towards meeting demand. How far?

**Mr Quinlan**—It is difficult to assess. The sorts of numbers that we generally talk about though are that if something like 100,000 Australians are sleeping rough then something like 80,000 units of stock across the country would go a fair way towards addressing that basic need. This package is proposing something like 20,000 units of stock. As I said, I would not like to be pinned down by the final numbers but I think, in terms of orders of magnitude, that is a pretty close estimate.

**Senator LUDLAM**—We could spend \$6 billion and only go quarter of the way?

**Mr Quinlan**—Something like that, yes.

**Senator LUDLAM**—It gives you a bit of an idea about the scale of the demand, I guess. What sort of stresses or demands do you think this will place on the sectors—the community housing sector, in particular—that are going to be asked to handle a large influx of properties? What do we need to put in place to ensure that your organisation and the organisations that are managing these developments are able to do so?

**Mr Quinlan**—There are a number of discussions that I believe are already underway in each of the state jurisdictions, and I understand that it is planned that this money will be rolled out through state jurisdictions where there are slightly different structures in place. There is no question that in some of those areas some support will be required in managing large-scale projects, project planning and so on. There is a sense that, given the downturn in some other areas of the economy, there might well be some excellent project managers available to assist in that regard. I would also say that the housing sector, broadly, has considerable expertise and experience in managing its stock over many years. There has been an enormous push for a number of years to improve the level of housing stock, so the plans that people have are ready to go. I think ‘shovel ready’ is the jargon of the day—I apologise for that! But the projects really are ready to go. I spoke to some of our own directors who, for instance, have already acquired blocks of land. They have sought planning approvals and planned facilities over recent months and years, only to be left waiting because they cannot get access to the sort of capital that they will require to proceed with the projects. So, many of those projects are, in fact, quite literally ready to go.

**Senator LUDLAM**—Do you think it is conceivable that we could get construction on this scale through by 2011? I think that is the target date for having the entire amount spent. Is that viable?

**Mr Quinlan**—I think there is no question that it is an ambitious target but, similarly, no question that people are going to do anything except work very hard to achieve it.

**Ms Helyar**—The other issue, I think, is to make sure that the systems in place for rolling out the money are accountable and transparent, but also simple. There are a range of legislative changes underway in states and territories. I think making sure that the reform process going through the COAG agenda continues to operate to reduce the red tape, administrative compliance and burden on providers is important because that is one of the things that slows down projects and diverts resources from delivering projects to reporting on administering funding sources.

**Senator LUDLAM**—Can you just sketch for us what you see as the role of the states and territories?

**Ms Helyar**—The states and territories are the primary providers of housing services, so it is critical for them to work effectively with providers and with the Commonwealth to make sure that these projects can get up and running as quickly as possible in ways that meet the needs of the most disadvantaged.

**Mr Quinlan**—I think that means, in many cases, ensuring that some of the particular barriers around local planning measures and processes are expedited as quickly as possible.

**Senator LUDLAM**—There has been a little bit of debate about the quality of the stock and the long-term affordability factors. We included energy and water efficiency, location, access to public transport and services and so on. What is your understanding of how this package addresses those issues?

**Mr Quinlan**—I think there are a range of policy measures coming on the back of the white paper process that the government have recently initiated. I think it means many of those policy issues are quite well developed and well advanced. As I said, much of the planning around this has now been underway for quite some time and we really are waiting on the dollars to flow. I think those sorts of issues that you highlighted are incredibly important, but I am confident that they are also well known and well considered and will be part of the sorts of projects that are planned currently.

**Senator LUDLAM**—Okay. I have a last question. I think it has been suggested that the money would be allocated purely on a per capita basis. Do you have a view on whether there should be quotas for areas of extreme demand or quotas for type of housing?

**Mr Quinlan**—I think that comes down to the microlevel planning, if I can call it that. That is why I say that it is so important that the structures occur at the state level to ensure that that coordination and planning takes place. I think there is no question that there are opportunities to use not just this part of the package but other parts of the package to ensure that communities that have faced chronic disadvantage over many years—and even decades—receive the sorts of support that they might start to require to overcome some of those barriers. But the fact of the matter is that the needs are distributed broadly across the community, and so, even though

we would certainly like to see some emphasis on disadvantaged communities, it is quite clear that these sorts of projects will be needed right across the community.

**Senator FURNER**—I would like to explore more the debate about the speed of the implementation. Equally, we have heard the term ‘shovel readiness’. I concur with your submissions that there are 2,300 already scheduled for implementation. With, in my opinion, the significant downturn in the housing construction industry, do you perceive any impediments to meeting the timetable that is proposed under the budgetary proposals?

**Mr Quinlan**—As I said in my earlier comments, it is certainly an ambitious target. I do not think anybody would shy away from that. But I suspect that the current downturn in the housing and construction industry—as you were alluding to, means that there will be increased availability and capacity in that sector to pick up some of these projects. So, as a downturn in perhaps residential or commercial building takes hold, there will be some capacity in that industry to take up these kinds of projects. I have heard the Housing Industry Association commenting favourably on their capacity to pick up these projects quite quickly and run with them, and already there are some discussions underway between the Housing Industry Association and the community sector agencies that will be part of this project. Again, it is ambitious but I would think it is achievable if it goes well.

**Senator FURNER**—In your written submissions you indicate that there certainly will be a minimum 15,000 jobs and up to a possible 80,000. Can you give me some sort of breakdown as to where those jobs, other than in the construction of housing, might fit, please?

**Mr Quinlan**—We have made a detailed analysis of those estimates. As I said, we commissioned Access Economics to prepare some broad recommendations for us. I think what has become clear to us, even since we commissioned that report and our summit in November, is that the situation has changed already and is likely to change very quickly. We have been involved in a process with the Deputy Prime Minister around a group called the Community Response Task Force. One of the issues that we are facing is to find appropriate information and data to feed into the sorts of decisions that that task force can take. I would not like to be drawn too far on detailed estimates, other than to say that that is their basis.

**Ms Helyar**—In terms of employment, I think what is valuable in this package is that there is an opportunity particularly in the areas that have faced chronic and multiple disadvantage and high levels of unemployment. They are the very areas that need infrastructure built. So there is an opportunity there to combine providing training and support and employment services for people in those regions with the need for a workforce to deliver on the infrastructure. If we can capitalise on those opportunities, I think that will be a fantastic outcome from this measure.

**Mr Quinlan**—To take it to its extreme, we could have spent \$42 billion building a bridge from the mainland to Tasmania, and what would have happened is that one or two successful international companies would have won the tender. They would have moved most of their workforce into the area and pushed rents and housing prices up and would have moved away when it finished. One of the appeals that we see in the measures here in relation to housing and the measures in relation to schools is that the construction will be undertaken as part of the infrastructure measures at a much more local scale. So local people will have an opportunity to be engaged in those projects without some of the impacts that we have seen in other major infrastructure projects on rental costs and housing costs and we will see lasting assets for communities built.

**Senator FURNER**—So it is about delivering Australian jobs?

**Mr Quinlan**—It is about delivering local jobs to local communities, yes.

**Senator BOYCE**—I might just follow up on that point. We could also have used the \$42 billion to increase unemployment benefits and pensions, which, would it not, have presumably have had a significant effect on local jobs?

**Mr Quinlan**—Yes, indeed. The point we have made on this a number of times—and I hope our submissions try to make that clear—is that we have tried to separate out conceptually what is a national stimulus package and what is appropriate reform of the social security system. We would not shy away at all from the fact that the social security system is currently unjust and needs substantial reform. As I think you are indicating, people on Newstart allowance are currently living in poverty, and we do not think that is appropriate. The question, though, of whether you would use a stimulus package to solve those sorts of structural issues is again a question for others. But we certainly would be hopeful that we can continue to talk about some of those issues, in spite of the fact that this stimulus package has been developed as it is.

**Senator BOYCE**—The first recommendation that came out of your summit was that the government establish a crisis response and recovery task force. Has that happened?

**Mr Quinlan**—Yes. As I said, that is—

**Senator BOYCE**—Is that the Community Response Task Force?

**Mr Quinlan**—Yes. The Deputy Prime Minister convened the Community Response Task Force.

**Senator BOYCE**—How often has that task force met?

**Mr Quinlan**—It had its first meeting a couple of weeks ago. The Deputy Prime Minister has given an undertaking that it will meet, I think, approximately on a monthly basis.

**Senator BOYCE**—And part of the purpose of that task force is to overcome what you referred to earlier as ‘bureaucratic hurdles’?

**Mr Quinlan**—I think it is really to monitor on a regular basis the impact of the crisis as it hits, because some of the impacts seem to be hard to predict, and to ensure that the responses that are made by various groups—the churches and ACOSS were represented—are well coordinated and effective.

**Senator BOYCE**—So you are now beginning to be able to feed in information as to where need might be and how it might best be coordinated?

**Mr Quinlan**—Yes.

**Senator BOYCE**—But that has not happened in the past?

**Mr Quinlan**—Beyond the normal processes of community agencies talking to governments, no.

**Senator BOYCE**—I guess that gives me further concern about how quickly and effectively we are going to get housing starts to happen. And I will not use that term, Chair—

**CHAIR**—Thank you.

**Senator BOYCE**—about the readiness of these schemes to get happening.

**Mr Quinlan**—As I tried to indicate before, I think part of that problem has been not so much the planning side of it but, frankly, the funding side of it. We have had many housing plans available and ready to go for a long time and we have had many community sector initiatives ready to go for a long time but, at the end of the day, a lot of those projects need to be funded if they are going to be effectively implemented.

**Senator BOYCE**—But, nevertheless, we have now got a task force that is going to look at bureaucratic hurdles and how we prioritise where the need is. So that still makes me concerned that we may not yet build 20,000 houses promptly or 20,000 houses in the right place. During the other inquiry into this package, the department spoke about 178,000 people on waiting lists for housing. Would that correlate with your figures?

**Ms Helyar**—I do not have the particular figures with me today. The waiting lists for housing are huge and they represent people in housing stress as well as people who are more seriously homeless. They can include, for example, older people living in their own homes, which they are finding more and more difficult to maintain and which are less appropriate for their needs, who are unable to maintain the cost of a private dwelling.

**Senator BOYCE**—Does anyone know how many people are in housing stress in Australia? I would assume that there would be people who had given up trying to be on waiting lists.

**Mr Quinlan**—We could certainly come back to you very quickly with an estimate of that number, and I mean this morning.

**Senator BOYCE**—That would be good. Thank you.

**CHAIR**—I am sorry but we have to cease this session now. It is a very limited time and it does not give the issue and your involvement enough credit, and I know that there is much more that you could say. I thank both your organisations for being so flexible and changing the time and your availability to be with us. If we could get those figures for Senator Boyce late, that would be wonderful.

**Mr Quinlan**—Sure.

**CHAIR**—I want to put on record now that ACOSS have submitted a submission because they were unable to make changes to their availability when we changed the time of this hearing. The ACOSS people have asked that we take this into account. Thank you very much for appearing before the committee.

[8.59 am]

**PISARSKI, Mr Adrian, Executive Officer, National Shelter**

*Evidence was taken via teleconference—*

**CHAIR**—Good morning, Mr Pisarski. The whole committee is here and, because our time is short, I will not go through all their names, as I normally do. There are a whole lot of people waiting to hear your comments. Thank you for making yourself available at such short notice. I know that you are very keen to put some issues on record. I invite you to make an opening statement and then, if we have time, we will go to questions.

**Mr Pisarski**—The main point that we would like to get across is around the social housing part of the stimulus package. We think it is a really overdue and worthwhile measure in its own right let alone as part of a stimulus package, but it will also play a vital role in stimulating the economy. There are two main points that I want to make. In our view this package really helps to rebalance an Australian housing system that is out of balance. We can provide numerous documents to back this up. Over a long period of time there has been much more assistance going to people who own their own homes outright, through tax concessions like capital gains tax exemptions, at the expense of people at the lower end of the market. So we have an unbalanced housing system. The announcement of adding 20,000 social housing properties to that system really does help to rebalance the Australian housing system, and that is a great thing from our perspective. Too many people have been doing it tough for a long time. This part of the package also complements other measures that the government announced last year through the National Affordable Housing Agreement. This now really fills the missing element of that National Affordable Housing Agreement, which was around social housing. So overall now we have a housing package which will do a really vital job.

The other point to make is that it will really stimulate the building industry. HIA's prediction has gone further than a 15,000 increase in jobs in the building industry. They think it will be more than that when this package is rolled out. We believe that it does a vital job in stimulating the economy, not just stimulating it overall; there is a potential to stimulate it in vital places. We have a differential economy emerging. If you look at the mining boom that has happened through Queensland and Western Australia over the last six or seven years, many of those communities are now looking down the barrel of a downturn, if not a crash, and this kind of package can really help in those communities where housing affordability has been at its worst. The economy will take care of some of that. The natural ebb and flow will bring house prices back a bit. But too many people have been excluded from their local communities because they have not been able to afford to live there. This package will really help do that job as well.

On a point that was raised with Frank Quinlan, whose dulcet tones I am sure I recognised just before, on the figure of housing stress that the committee was trying to establish, the level of housing stress is commonly accepted—and there is some variation in the figures—as being somewhere between 800,000 and over 1.2 million households. Commonly the figure that we use is approximately a million households in housing stress. That is a hell of a lot of people. It is more people than the household numbers, because obviously you have to average the household numbers to the households. Housing stress is a huge problem. I might leave my opening comments there and see what questions the committee would like to ask.

**CHAIR**—Thank you, Mr Pisarski. Our time is very short, so if anyone has a particular question, please let me know.

**Senator HUMPHRIES**—I have looked at the submission that National Shelter made to the federal government for this year's budget. You have argued in there that there should be a target of 30,000 additional social houses by 2012. Obviously we have not reached that target with this measure, but I assume you would welcome the fact that 20,000 was a good start. You go on to point out that most state and territory housing authorities are operating in deficit and are forced to sell properties to remain viable. You recommend two things. One is an operating subsidy program for housing providers, with a contribution of \$3.5 million over four years from the Commonwealth. The second thing you recommend is the linking of those dollars to reforms in social housing management, including improvements in management efficiency and an exploration of the potential for devolution of public housing management to community organisations. Is any of that in this package?

**Mr Pisarski**—We are still trying to work through the detail. I attended a briefing on Friday and one yesterday with FaHCSIA. I can say that, based on those briefings, it is our understanding that this package will

also start to address some of those factors as well, particularly the building of a robust community housing sector in Australia. There will be measures insisted on by the Commonwealth in negotiation with the states to do two things. One of the problems has been that the main way the community housing sector can grow is at the expense of public housing through the transfer of stock. This package actually allows both systems to grow without cannibalising either. It will address the problem of state governments having to really put all of their money into maintenance without having any growth money. Most of the Commonwealth funding that has been provided traditionally through the Commonwealth-State Housing Agreement went into maintenance of public housing, and that is why we have not had much growth. There are 350,000 properties on the ground already and they do require some maintenance.

There has also been a large problem that, when much of Australia's public housing stock was built, it was built for a different kind of family structure than the ones we have now. Traditionally there are a lot of three-bedroom houses in that stock. The demand these days is much more for four-bedroom-plus properties for large families and for two-bedroom units, by and large. The stock has not really been matching the demand. There has been a massive process of redeveloping that stock to match the client base that it is needed for. This package will really help do that as well, because it means that there is more growth in the system and that allows the system to evolve and change and will give the states more flexibility in doing that. All of that is a good thing. It will, as I say, help build the community housing sector by providing direct funding to it. That was already happening to some degree through the National Affordable Housing Agreement process and particularly through the National Rental Affordability Scheme. But this will provide an additional arm, if you like, on top of NRAS by providing fully funded social housing for those who most need it at the bottom of the market. We think, for all of those reasons, this is a really worthwhile and supportable package.

**Senator HUMPHRIES**—The concern I was raising was not so much about the size of the investment as the vehicle for the investment—the state and territory housing authorities, which seem to have a fairly patchy record of performance. I notice from evidence to the other committee that has been looking into this package that all of the housing that is to be created through this package will be owned by those authorities. It will not be owned partly or wholly by the Commonwealth.

**Mr Pisarski**—My understanding is that the Commonwealth will insist on a proportion of this being owned and operated by the community housing sector. So within the Australian housing system we have our existing state housing authorities but we create an alternative to those or take a broader systematic approach, as we have in Queensland. Queensland has developed a single social housing system which includes both state housing authorities and the community housing sector. So it does allow both of those to grow in a more robust way.

**Senator HUMPHRIES**—What proportion is allocated for community housing organisations?

**Mr Pisarski**—I think that is still being worked out. My understanding is that it might be something like 70-30. These are only indicative numbers. It might be 75-25—that is, 75 to state housing authorities and 25 to community housing agencies. Currently, there is a capacity issue with the community housing agencies. Some of them are able to grow quite quickly because they have already done the hard work in creating operations of sufficient scale, but many community housing agencies are just not in a position to accept huge amounts of money and gear that up into construction. What is being explored is a range of partnerships between not only private developers and community housing organisations but also state governments and private developers so that much of this can go onto the ground very quickly.

**Senator HUMPHRIES**—In your earlier submission you identified a problem with the efficiency—management efficiency, particularly—of state and territory housing authorities. Although there is more money going into the system and there is a better share for community housing organisations, the bulk of this money, which obviously will still go to state housing authorities, will encounter the difficulties of an inefficient state housing authority system. That is not addressed in this package.

**Mr Pisarski**—When we spoke of the need to reform the housing system in previous submissions, I do not think we actually claimed that the state housing authorities were inefficient. My experience of them is that they do work efficiently, if slightly more expensively than some other models. There are also good reasons for that, one reason being that they build to a higher standard because they want a more robust product that lasts a lot longer. They recognise that in some cases—for example, that of people with disabilities, who they house a lot—they need the additional standard because those people will spend a lot more time in their house and, because they may be in an electric wheelchair or something like that, they will be bumping into doors and

those sorts of things. So they do put a more robust structure into public housing development because of the client base that they are housing. We do not claim that they are inefficient. What we want to see—

**Senator HUMPHRIES**—Sorry, could I just interrupt you there? Your submission says:

This fund—

this extra money you are talking about—

should be linked to reforms in social housing management, including improvements in management efficiency ...

What were you referring to when you made that comment?

**Mr Pisarski**—What we were referring to, in the main, is the need to have greater choices within that system. We want to build a robust community housing sector as well as an efficient public sector system. It is not about one part of it necessarily being bad; it is about making new parts of it that complement what we already have and that can play additional roles. For example, we have been a very strong supporter of the National Rental Affordability Scheme, which will largely go through to community housing organisations so we can start to give them a function that is not necessarily exactly the same as the state housing authorities but creates what we like to think of as a continuum. People would have options available to them so that their housing choices are not as stark as impossible homeownership, unaffordable rentals in the private market or incredibly long waiting lists in the public housing system. We do need more choice in that system. We need different models to emerge that can meet the various niches in the Australian housing system that are currently not being met.

Really what we are referring to is a reform of the whole system so that we get new parts of it emerging. There are some efficiencies that can be improved within public housing—and I think they are happening through things like the single housing register in Queensland and the segmented waiting list in Queensland and various other states—so that departments of housing have a better understanding of who they are trying to house and what products to offer them. I think those efficiencies are already occurring, have been insisted upon by previous Commonwealth state housing agreements and will continue to occur. It is not about getting rid of state housing authorities but about complementing them.

**Senator HUMPHRIES**—We know from the other committee hearings that this package does not prevent state housing authorities from selling stock which is purchased or built with this Commonwealth money. Should the package at least include a restriction on the state housing authorities selling down the quantity of their stock, unless of course it has been transferred to, say, the community housing sector?

**Mr Pisarski**—My understanding—and I would think it is a good thing—is that the agreements that are signed mean that this is additional new stock and should not mean that state housing authorities or anybody else can offload any other stock. It should be a net addition to the total social housing stock in Australia.

**CHAIR**—Thank you, Mr Pisarski. We will take many of those points with the department later in terms of the issues that were raised in that discussion. I am sure you will continue being interested in the process, so I will talk to you soon.

**Mr Pisarski**—Thank you very much.

[9.16 am]

**CROCE, Ms Carol, Executive Director, Community Housing Federation of Australia**

**DISNEY, Professor Julian, Chair, National Affordable Housing Summit**

**SMITH, Mr Simon Jason, Executive Officer, Homelessness Australia**

**CHAIR**—Welcome. You are all experienced, so you would understand parliamentary privilege and those things. Professor Disney, I invite you to make some opening comments. We do appreciate the fact that you have been able to make yourself available at short notice due to the change in our program.

**Prof. Disney**—Thank you for the opportunity. From a housing perspective, I think this is really an enormously important and very badly needed package. I have spoken to your committee before about the gravity of need, and I think it is widely accepted that it is huge. Even before the crisis, there were at least half a million households in unaffordable rental, and the number might well be twice as high as that now. So there is undoubtedly a major problem that has to be addressed. The extent to which some parts of the housing sector have been able to address that problem has fallen away badly over the last 15 years or so with the decline in the supply of public housing, and we at the very least needed to turn around that decline. I think there is unanimous agreement that we need to start emulating other countries by building up our non-profit sector very substantially.

This announcement is really the missing element in the package that was developed during last year. There were a lot of comprehensive initiatives in the housing area last year, but the summit group always believe that a package of this kind, or an element of this kind, was the missing link. So, although in a way it comes about perhaps for unhappy reasons—because of the declining economic circumstances—from a housing point of view it is enormously important, and we have obviously got to try to make sure that it is implemented well. But it is not only important in itself; it actually strengthens the initiatives that were announced last year. I think it is very important now to make sure that this additional support for growth interacts effectively with other parts of the package that the government has developed, especially the National Rental Affordability Scheme and the smaller growth fund that came from the COAG meetings last year.

Overall, I think it is desirable to look at a growth-funding package that is now available comprising this money and also NRAS and the COAG money. That totals about \$6 billion over four years, and the government has indicated a target of 70,000 dwellings. I think this money can now, importantly, be taken forward in that context. The Commonwealth needs to set benchmarks for the states as to how to use that overall growth funding. There will need to be four-year benchmarks, I think, because we need to make sure that things that perhaps need to be done overwhelmingly because of the need for a fast stimulus in the next year to 18 months are ultimately balanced by other things which are very important but might not come to the top of the agenda in this first period. So I think four-year benchmarks are very important.

There are some who have suggested in the media that the third- and fourth-year fundings in a package like this are not needed if one needs a stimulus in the first two years. I think that is completely wrong. In fact, the money will not be spent probably, because not enough people will step up to the plate, and certainly will not be spent well if you do not have a guarantee of longer term funding. That is why the third and fourth years of this package have a major beneficial impact on the first and second years. They will bring in bigger players and they will enable more substantial, sustained projects to be developed. That is really one of the most important parts. If this were just a two-year package, I would really be quite worried about it, because there would be a risk that it was just rushed out the door or that people would not step up and engage in it. I think they clearly will, given this longer time frame.

It is very important to encourage that interaction with NRAS. I think it would be useful if the government appointed an advisory panel over this growth program as a whole. I guess the last thing that needs to be brought into it is to finalise the negotiations agreed at COAG last year, that they would move towards an operating subsidy for all this kind of housing so that, in addition to getting it on the ground—which this package announced last week will help—there is also going to be enough money for the operating and replacement costs over the longer term.

To summarise, I think it is enormously important. There is obviously a great challenge in terms of implementation. It is a pity that it has been in these circumstances that one gets a commitment, but it is one of those ways in which a crisis can lead to something really good if you take advantage of the opportunities. We

have to make sure that that is done and done in a good, long-term way, despite the need for very strong upfront stimulus.

**Senator LUDLAM**—Thanks, Professor, for appearing via teleconference. Right at the beginning of your comments you mentioned interaction with NRAS as a key issue. Ideally, the two programs would complement each other, but is there any possibility that you would almost have a substitution effect or that one would cannibalise the other?

**Prof. Disney**—No. I think they will interact effectively. In a way, it will enable the dollars in both programs—if I can put it that way—to be driven further. With this funding that has just been announced, you can actually achieve more than 20,000 dwellings—significantly more—if you enable interaction with NRAS. Of course, if NRAS were just combined with this to generate this 20,000 and not the additional targets that they also committed themselves to with NRAS that would not be desirable. But this is a happy circumstance where they can mutually strengthen each other.

I think there will need to be indications of limits, and I think the Commonwealth needs to put out some clear benchmarks, for example, about how much of this growth should be in non-profit owned housing, how much—whether it is a maximum or a minimum—can be combined with NRAS, how much needs to be for people with high needs and those sorts of things. I think getting out indicative benchmarks to the states very early would be very important. But I think from the point of view of interaction with NRAS, it is potentially a very good story. The summit group was certainly very pleased with the minister last week indicated her support for that interaction.

**CHAIR**—Thank you, Professor Disney. I appreciate you being able to give us your time this morning.

**Prof. Disney**—Thanks for the opportunity.

**CHAIR**—Ms Croce and Mr Smith, do either of you have an opening statement?

**Ms Croce**—I think we both do. I have just a couple of brief points to make. Probably the first one is that this probably the most significant infusion of funding into the community and public housing sector that we have seen in decades and—reflecting some of the comments that you heard earlier today—provides much-needed affordable housing stock whilst stimulating the economy through new construction and improved employment opportunities. I believe that Treasury feels that this would generate about 15,000 new jobs and HIA has estimated it at even higher, at 80,000.

There are four main points. The first is to very much urge the Senate to pass this social housing stimulus package even if it requires splitting up the bill. The previous stimulus package, as I believe Julian just mentioned, was focused on home ownership. Now we have an opportunity to focus on the rental market where I believe the majority of the crisis in housing stress exists and where it is most severe. In particular, the stimulus package is focusing on those people who are in the lower end of the rental market and are in the highest need for affordable housing.

The second point, and I think this might go to some of the comments that Senator Humphries made earlier, is that I also want to advocate that the dispersion of the funds that go to the states and territories be done against a set of criteria that is quite specific about the outputs that the Commonwealth expects and the outcomes that it must achieve in meeting the target of 20,000 new homes. I think the criteria need to be transparent and by that I mean they need to be publicly accessible and not buried in confidential bureaucratic documents and agreements so that the public is aware of the expectations on the states and territories and how those funds are going to be delivered.

I also think there needs to be an appropriate compliance mechanism, something that has teeth in it. The Prime Minister said that the government would be watching to ensure that the stimulus funds do not replace existing state money and programs. I think the states and territories must be accountable for how the funds are spent in line with the Commonwealth targets and there must be a strong enforcement component in any agreement that is signed.

The third point is that I think there is a great opportunity to maximise opportunities to leverage these funds and provide even more housing than is planned and to build a strong not-for-profit sector. The funds going into the not-for-profit and the community housing sector can be used to leverage additional dollars from the private sector maximising the stimulus funds and increasing the amount of new, affordable housing stock for low and moderate incomes. My sector, the community housing sector, already has a proven track record of being able to leverage public dollars in this manner and usually increasing housing outcomes by as much as 25 per cent.

The question already asked about maximising by coupling it with net interest, I think Professor Disney has answered, but that is definitely one of the things that our sector has been looking at.

The last point I wanted to make about that is realising too that the funding that goes into public and community housing is spent entirely on just that: it is spent on housing. Due to the charitable status that my sector enjoys, and government status, funding is not diverted towards stamp duty or transaction fees; it goes strictly into housing. I think that needs to be kept in mind. Finally, this is something that was brought up the last time I was before this committee when we were talking about interest, it is about that charitable tax status. The uncertainty that still exists needs to be addressed urgently. We took care of it for NRAS, at least in a stopgap manner, so that the people participating will not have their charitable status challenged, but I think, even though it is being examined as part of the Henry review, it needs to be moved forward and dealt with more urgently so that the people who are providing housing at a non-commercial rate do not feel that their charitable status is in jeopardy if they are trying to provide housing through this stimulus package.

**Mr Smith**—Thank you to the committee for the opportunity to appear today. Homelessness Australia is the national peak body representing agencies providing assistance and support to people experiencing homelessness. Through our networks we represent more than a thousand agencies across Australia. We strongly encourage the Senate to pass the funding for the social housing provided for in this legislation in full and as a matter of priority.

One of the biggest obstacles to solving homelessness is the lack of housing for people who are homeless to be able to move into. For many people who are homeless the struggle to get into housing can drag out indefinitely. Many people can find themselves applying for endless properties in the private rental market while others spend extended periods of time on waiting lists for public and community housing. In the meantime they are relying on the goodwill of family and friends, staying at homeless services or, in some cases, sleeping in cars or on the street.

The significant increase in funding proposed under this legislation for public and community housing will help to ensure timely access when people need it. As we have discussed this morning, waiting lists for public housing are long. About half of all people with an urgent need for housing, including people who are homeless, people experiencing domestic violence and other categories of people, are allocated housing within three months. Ideally, no-one in that situation should have to wait any time at all. The national partnership agreement for the funding proposed under this legislation notes that waiting lists for people with a high need for housing should fall by half as a result of this increase in funding.

Timely access to housing is critical in responding to homelessness. Once people are placed in housing, they are then able to reconnect with family, community, employment and education. I invite senators to think about this. It might seem like an obvious point, but you would struggle to rebuild your life and family if you were a woman with a young child leaving a violent situation and you had no home to go to. You would struggle to maintain attendance at school, university or training if you had no ongoing stable accommodation, and you would struggle, ultimately, to hold down a job if you had no home of your own as well.

We urge the Senate to pass this legislation because it will support the objectives of the government's white paper. The target in the white paper to halve homelessness by 2020 is something that we hope all sides of politics would share and, as such, we hope that all sides of politics would be willing to support and endorse this significant increase of funding to ensure that this objective is realised. By increasing access to safe, affordable housing through the funding in this package, we will increase the effectiveness of many of the measures provided in the white paper. The white paper includes proposals for a range of new services, including support for children who are homeless, for people with a mental illness, for families and for young people. It goes without saying that these will be far more effective once people are housed in ongoing stable accommodation. By linking people with these supports we will be helping to promote social and economic participation in the community, including employment as well as education, training and other forms of civic participation.

This funding will also support the measures in the white paper aimed at preventing homelessness in the first place, and there are a range of different measures in the white paper that attempt to achieve that. One of these is the measure to ensure no exits into homelessness, where what we are trying to do is to ensure that no-one who comes out of the care of the states—such as young people, people who leave prison or people who leave hospitals—becomes homeless. Achieving this will obviously be much easier to do if there is readily available housing.

We urge the Senate to pass this funding in full. It is a significant increase in funding for public and community housing that is long overdue. It will help us to provide the missing piece in our response to homelessness: timely access to housing that is safe, secure and affordable for people who have been homeless. It will help to drive towards the new national target to halve homelessness by 2020, and hopefully to end homelessness in Australia for good.

**Senator LUDLAM**—Ms Croce, can we come back to the issue that you raised in your opening statement about tax status. In the agreement that was hammered out late last year around NRAS, there was a two-year window that was eventually granted. So what is the urgency of fixing this now?

**Ms Croce**—The urgency is that that legislation only applied to those people who were successful NRAS applicants, and it only covers them for two years. Anybody who enters into this agreement, or participates in some of the housing from the stimulus package, does not have that kind of safeguard. So one of the things we have been proposing—which is not getting back into that discussion that we had before—is looking at something that would be very simple: that, if you are a not-for-profit organisation, and you are providing housing at non-commercial rates, that be considered a charitable activity. This is very similar to what was done for the childcare industry, and I just think that we need to look at it more urgently rather than waiting until the Henry review comes out

**Senator LUDLAM**—What are the consequences of not getting it sorted?

**Ms Croce**—People will not want to participate. If you are looking at taking on this housing but at the same time you are jeopardising your entire tax status and therefore not being able to continue to do your business—some of our organisations are housing 2,000 or 3,000 households; they are not going to jeopardise that in order to take advantage of this, as much as they really would like to. It is a big ask.

**Senator LUDLAM**—The funding in the package is essentially for quite a large-scale build of new housing, or a recommissioning of old stock in order and getting it back into the market again. What is required, by way of ongoing funds, to keep the sector afloat in relation to maintenance and operations and that sort of thing?

**Ms Croce**—Part of the funding for public housing, if you remember, is set aside for maintenance—I believe it is \$400 million. That is for public housing but, again, some of the housing that community housing manages right now is actually owned by public housing, so that would cover some of it. Again, the way we structure our maintenance packages is such that we work it into our rent base so that there is a way of being able to put aside assets. But that only works if we hold title to the property. That is one of the advantages we see to the stimulus package, because we are looking at housing that would go into the not-for-profit sector so that we can start building up, or increasing rather, our balance sheets, and our ability to become a much more robust sector than we have been in the past. And that would be part of the way we just do our rent structures.

**Senator HUMPHRIES**—Ms Croce, I understand that the federation has had difficulties in the past in delivering new social housing or maintaining existing properties by working through or in conjunction with the state and territory housing authorities. Is that the case?

**Ms Croce**—Our members, you mean. Yes.

**Senator HUMPHRIES**—Your members have, yes. I have not got time to explore what those difficulties are, but I am told that there are a number of complaints and difficulties that have been experienced. To cut to the chase, I put it to you that we are missing a major opportunity with this package to comprehensively reform the operation of those state and territory housing authorities in the delivery of this enormous amount of money. The other committee which has been inquiring into this package has heard that the Commonwealth will exercise very little operational control over the way in which the state housing authorities spend their money. To quote Mr Leeper, how they allocate that payment is completely up to them across maintenance, capital, operating costs. The Commonwealth would not seek to prescribe how they might spend those funds. They can sell property that they use the Commonwealth money to build or to buy. There is no requirement for environmentally sustainable conditions in the properties that are acquired or built. The structural issues and efficiency of state housing authorities I put it to you is really not addressed in this package. Can we really afford to spend this amount of money and not at the same time drive that kind of change to the state and territory housing authorities?

**Ms Croce**—This gets back to my earlier comment about why we are looking at it at least in this agreement. I am not sure which committee you are talking about where the comments were made by Mr Leeper, but that was one of the reasons that I think the criteria that have to go with this package have to be very specific about what the expectations will be, how the money is going to be spent, what the outcomes are going to be, what is

the monitoring and basically what are going to be the teeth, what are going to be the compliance measures if they do not meet the outcomes they are supposed to. Again, as opposed to what Mr Pisarski said, I believe that most of the funding or a big portion of the money is actually going into the community sector and hopefully will be in the sector rather than sitting with state and territory governments. But I do share your concern about the problems that have arisen in the past with the state housing authorities and am hoping that by having these very prescriptive, if you will, conditions that are put on the money as it is going out we will be to take at least a step towards that.

**Senator HUMPHRIES**—I recommend you have a look at the transcript of the Finance and Public Administration Committee hearings. Questions were asked along those lines. I think it exhibits a very low level of control over the money being spent. But you can have a look and make up your own mind about that.

**CHAIR**—We are having the department at 10.30 and I am sure those issues will be raised in that discussion.

**Senator HUMPHRIES**—Mr Smith, obviously you have seen the forecasts that unemployment will rise to about seven per cent by the middle of next year. What do you expect will happen to the rate of homelessness as a result of that?

**Mr Smith**—I think that is a very difficult question to answer. I can see why we might be tempted to make a straightforward link between unemployment and homelessness, but many of the drivers of homelessness are not economic: they are about families and family relationships. The biggest cause of homelessness in Australia is domestic and family violence. I cannot anticipate, and I do not imagine anyone could, what an economic downturn might mean for those kinds of issues in our community.

**Senator HUMPHRIES**—You would not expect that an increase of 300,000 people into unemployment might not drive up the rate of homelessness?

**Mr Smith**—I think it will. I just do not see a one-to-one relationship if unemployment goes up.

**Senator HUMPHRIES**—I am not suggesting that. It would certainly increase, though, surely.

**Mr Smith**—It will. We are moving into a situation where I would imagine homelessness will increase due to economic factors. I would also flag with the committee that there are other social issues in our community that do need a strong housing system to support our efforts to resolve those issues. For example, in the case of women and children escaping domestic violence, timely access to housing in that situation is very important for those women and their children.

I suppose there is a broader issue I am touching on here too. The funding for housing in this package will go a long way to addressing lots of other issues as well, and that is why we think it is important too. One of the things I have touched on in my submission is this ‘no exits into homelessness’ policy. This policy would be much more achievable if we had readily available housing for people to move into—people with a mental illness, young people coming out of state care, people coming out of hospital and so on. The housing in this package will help us to address a range of different things, but it is also important because homelessness is going to rise.

**Senator FIELDING**—I want to pursue this issue about the link between homelessness and unemployment—at some level, one leading to the other. I fully understand that domestic violence is a huge issue. There was some work that was done—and in estimates I questioned the department, I think it was—about relationship breakdown and the components that drove relationship breakdown. One of those components was financial stress, and obviously losing your job is financial stress. Anyway, I was going to explore that. You have already given the committee some feeling that there is some link, but the biggest link is the violence.

**Mr Smith**—I am just trying to flag a range of other areas in which this housing will support us to address other social issues in the community. Because we are moving into a deteriorating economic environment, the need for a robust social safety net is more important than ever. It is always important, but with unemployment increasing and with homelessness invariably increasing at the same time, an increase in public and community housing will be very important to help us to address the fallout that comes from that. Whether it is simply to help families who have become homeless because they cannot afford the rent or if, as you are saying, Senator, there are going to be other flow-on effects—for want of a better word—into the community too, we strongly encourage the Senate to pass this funding in full. As Ms Croce said, if that means that this has to be considered separately from the other funding in the stimulus package then that might be one option the Senate would

consider. But this funding is very welcome from our perspective in terms of the increase in public and community housing that it will offer.

**CHAIR**—Thank you very much. Is there anything either of you would like to add? I know there is so much you would like to say about your area.

**Senator SIEWERT**—In relation to that issue, one of the submissions that we have received overall—not actually to this particular inquiry but to the other inquiry—was on the issue around the allowable assets test for Newstart. It recommended that that be altered to become a taper test rather than an immediate cut-off test. Have you actually considered that and what impact that might have in terms of homelessness, or have you come across that issue previously?

**Mr Smith**—I am aware of that issue to the extent that I understand the suggestion is that people are not required to spend any lump-sum payments that they might receive on termination of employment. Is that the issue you are referring to?

**Senator SIEWERT**—There are two issues. There is the liquid assets test and then there is the assets test. What the Australia Institute is suggesting is that the allowable assets test be tapered for those on Newstart—basically those going into unemployment—and that would in fact benefit the economy. It would, in fact, benefit those people facing unemployment. I can see a link between that and people potentially losing their homes in the long term if they are in financial turmoil. Although the home is not included, obviously it can have a direct impact on finances.

**Mr Smith**—I think I would need more information about the specifics of that proposal to comment.

**Senator SIEWERT**—If you would not mind, maybe we could provide you with the submission. I would certainly be interested in your thoughts.

**Mr Smith**—Is there any time frame in which you need that? Is it part of this process?

**Senator SIEWERT**—This committee is reporting tonight.

**CHAIR**—I think it is part of the wider debate, Mr Smith, so if you have views about that, this is an ongoing issue. If there is something you would like to draw to our attention down the track, please do so. I do not know whether you can do it in the couple of hours that we have.

**Senator SIEWERT**—I think the issue is going to be around for a while.

**Mr Smith**—Yes, I would imagine that it would be. If there is anything we are able to provide—we will see what we can do.

**Senator SIEWERT**—That would be appreciated.

**CHAIR**—Thank you very much. We will now move to evidence from the Housing Industry Association and Master Builders Australia.

[9.45 am]

**LAMONT, Mr Christopher Shaun, Chief Executive, Association, Housing Industry Association**

**SILBERBERG, Dr Ron, Managing Director, Housing Industry Association**

**HARNISCH, Mr Wilhelm, Chief Executive Officer, Master Builders Australia**

**JONES, Mr Peter Raymond, Chief Economist, Master Builders Australia**

**CHAIR**—Good morning, gentlemen. I welcome Mr Jones and Mr Harnisch from the Master Builders Association and Mr Lamont and Dr Silberberg from the Housing Industry Association. Thank you for your availability today and for making changes to your arrangements because we changed our schedule. Would either of the organisations like to make an opening comment? You are welcome to do so, and then we will go to questions.

**Dr Silberberg**—Yes, I would like to make a brief opening statement.

**CHAIR**—Certainly.

**Dr Silberberg**—Thank you. HIA is supportive of the housing initiatives contained in the nation-building plan. At a time when private sector activity and the private rental market are in a parlous condition, an expansion of public and community housing does make sense, economically and socially. Every day we are receiving reports of retrenchments, lay-offs and people going out of business, and there is an urgency to get things moving as quickly as possible while, at the same time, ensuring that there is value for money.

There are 25,000 private sector dwellings that have been approved but not yet commenced. Most of those dwellings are multi-unit and medium-density housing projects that have stalled, due in part to a lack of investor confidence and interest but also due in part to a lack of working capital. The stalling of those projects is placing jobs at risk in the industry. In the last six months, the number of multi-unit dwelling projects that have not commenced has increased by 30 per cent, and we link that fairly closely to a reduction in the availability of working capital.

A guarantee of purchase of some of the stock in these projects would help to unlock funding capital and enable a number of projects to proceed. That is why HIA sees merit in the proposal to encourage the purchase of private sector dwellings off the plan for community and public housing purposes. State housing agencies, by and large, are well versed in spot purchasing. By acquiring stock in a number of these developments, we can help meet social inclusion objectives as well as the spread within and between cities and regional towns and centres.

Through spot purchasing of new dwellings, the program could generate additional demand for 85,000 jobs, much higher than has been allowed for in the official job estimates. The construction of 20,000 social and defence dwellings will lift the demand for jobs in the housing and related industries by 35,000 but, by unlocking some projects that currently are on the shelf, the initiative will have an uplift impact of another 50,000 jobs. That concludes our opening statement.

**CHAIR**—Mr Harnisch, do you have a statement?

**Mr Harnisch**—Thank you, Senator. I will just add that Master Builders very much supports the social housing proposal. I will add three reasons for doing so. I ask the Senate committee to consider the fact that, as part of the economic stimulus package, this will very much generate economic activity, particularly through the multiplier effects, through manufacturing, obviously through the construction phase and then through the retail phase. All this will provide much-needed jobs in this industry. We agree with the HIA that the housing sector is very sluggish at the moment, so this stimulus package will certainly be a welcome boost—not only, obviously, to the social housing sector but, more importantly, to the economy and therefore to jobs, which is very important in the current economic climate.

We also support it on the basis that there is a basic undersupply of public housing. Social housing being part of the public housing stock, this addition of 22,000 houses therefore will be the beginning of a valuable rebuilding of the public housing supply. It has been estimated that the undersupply of public housing is in the order of 180,000, and 22,000-odd extra social housing dwellings will certainly add to the rebuilding of what has been an underinvestment in public housing.

The third reason is that it will provide a long-term solution to affordable housing for low-income groups. That is something that needs to be kept in mind. It will certainly take the pressure off the private rental market,

which at the moment has very low vacancy rates. Therefore it will provide a long-term alternative solution in terms of affordable housing to that low-income cohort.

Questions have quite rightly been asked about the industry's capability to cope with the extra commencements of social housing. I will not go into great detail because of time constraints, but if you look at the statistics the reality is that the housing market is extremely sluggish. This year we are looking at starts being as low as the mid-140,000s. There is an underlying demand of 180,000 houses. We have approvals nosediving to an annualised rate of around 115,000. The reality is that the housing sector is in dire need of this stimulus. It can provide jobs and therefore we commend the package to the Senate.

**Senator HUMPHRIES**—Thank you, gentlemen, for appearing today. I ask my questions on the premise that we are looking not at whether there should be a stimulus that might influence the level of construction in Australia but at how that stimulus is delivered. What option would provide the greater stimulus to the residential construction sector in Australia: an incentive for the purchase and construction of private residential homes, which make up about 97 per cent of the total construction market at the moment, or a direct investment in public housing?

**Dr Silberberg**—Perhaps I might respond initially to that. Of the \$6.4 billion that is set aside for housing purposes in the proposed plan, in the order of \$5.5 billion is for acquisition of new public and community housing. You might recall that the government's statement identified the potential for spot purchase—a point that I made in my opening remarks. It would not be feasible for state housing agencies to have 20,000 dwellings completed over the next 18 months to two years relying on traditional tendering arrangements. The stock is undertaken by the private sector in any event, but, as I advised, we have 25,000 private sector dwellings that have been approved and not yet started. So, if the public sector were to step in and guarantee a portion of that stock, particularly in the medium-density apartment area, it would reduce significantly the risk profile of those projects and make them more suitable to the banks to provide working capital, because that is a binding constraint on a number of these projects. In unlocking private sector activity with a 20 or 30 per cent public sector acquisition—a guaranteed purchase—you will unlock a number of those projects. So you will get an uplift factor on jobs and residential building work. As we understand it, it is envisaged that most of the capital that has been identified in the \$5.5 billion will be to access the private sector dwelling market.

**Senator HUMPHRIES**—Yes, I understand the point you are making but, with respect, is that an answer to my question? If you were hypothetically looking at a market and you wanted to stimulate the market—that was your only objective: to stimulate the market—so as to create jobs, would you do that by buying or building housing in the public housing sector or would you do it, for example, by stimulating the private sector by offering concessions for home building or by reducing state government charges?

**Dr Silberberg**—Well, of course, in mid-October the government announced a tripling of the first home owners grant for the purpose of new dwellings. That has had a stimulatory effect. In overall terms, it has helped to offset weakness in the second home buyer and investor markets. In Western Australia it appears to have had a significant positive impact. That market looks to us like it has turned the corner and is in recovery. If there is a lack of investor interest and confidence, how do you best stimulate that? That is a difficult issue. In the circumstances to utilise government purchasing of private sector product makes a lot of sense to us and it could translate fairly quickly into additional activity. You can look at other options, such as reductions in land tax for new rental investment or reductions in stamp duties. These are state issues, of course, as are development charges on residential development. You do not have to be a Rhodes scholar to work out that the states are not flush with a lot of funds at the moment.

**Senator HUMPHRIES**—The Commonwealth could give them the funds to reduce those charges if it wanted to stimulate the market, couldn't it?

**Dr Silberberg**—It is feasible, yes. But the transmission mechanism to new activity might be defused; it might take some time. In our view, the benefits of the announcement, if implemented, would be a more rapid fire response from the private sector.

**Senator FIELDING**—Can I just clarify this? Are you suggesting, in relation to the 25,000 dwellings that are approved—and probably stalled, would you say?—that if some of the package were used to invest in that area, either to give guaranteed returns or to be used for public housing, that would be a way of actually getting the money into the economy and into the building sector faster and seeing fewer jobs put off? That therefore would start to boost confidence earlier than would spending the money they are currently proposing, which could take longer to get to the building end. Does that make sense?

**Mr Lamont**—What you unlock through what we are proposing is a mechanism by which you can bring forward a larger volume of work, work that has effectively stalled on account of a fall in demand because of investment or trade up purchase activity, activity that has ceased on account of financial restrictions. We have spoken of multiplier effects already today in this discussion, but, at the moment, you have presale requirements that are significantly higher than what they were 12 to 18 months ago. What that effectively means is that developers or vendors are required to achieve 70 per cent of presale to secure working capital. If we are talking about a project which, hypothetically, might be sitting at 55 or 60 per cent, that project may be denied the finance necessary to commence. So the investment by the federal government, in this sense, could guarantee, if you like, the additional percentage required to achieve that finance.

**Senator FIELDING**—I think that is a very important point because it unlocks something that has stalled and it allows fewer people to be put off rather than potentially putting them off and then putting them back on later down the track. That could boost confidence within the sector. We all know the economy works on confidence as well as on the underlying economics.

**CHAIR**—Dr Silberberg, that is one suggestion for how the current package could work rather than in an alternative way.

**Dr Silberberg**—That is right. We developed that proposal some time ago and, if anything, the situation has deteriorated significantly from when we first raised it.

**Senator FIELDING**—On a point of clarification: at the moment the funds are not going to be directed in the way that you are suggesting. Is that true?

**Mr Lamont**—Our understanding is that it will be a mix. As to the actual allocation between spot purchase off the plan and spot purchase of existing stock or other procurement methods, we are not advised that there has been a definite split made in the use of the funding. Our proposal is for as much of it to be used for what we are proposing in terms of the spot purchase off the plan to allow work to commence that has stalled on account of finance requirements and some pessimistic attitude, if you like, in respect of trade-up and investment purchases.

**Dr Silberberg**—One of the key ingredients in a successful stimulus package is speed to market. There is enormous virtue in unlocking a number of those dwellings for which development consent has been achieved. If you are doing an apartment project, fast-tracking development consent could be 2½ years. We have projects that are in the system, approved. They are in the pipeline but no work has commenced on them. As Chris mentioned, if the major banks are requiring, among other things, 70 per cent presale requirement and you might be at 50 per cent presales to private sector investors or owner-occupiers, and the public sector comes along and says, ‘We’ll guarantee 20 to 30 per cent purchase of your project,’ a financier ought to feel somewhat reassured that there is a government acquirer in the equation. It reduces the risk profile of those projects. If the Australian government were to encourage the major banks to play their part in adopting a more flexible approach to the provision of working capital, you might get some things moving. They are, after all, fairly privileged institutions, at least in the financial sector. They have been well looked after and, in my view, they have a responsibility to look favourably on government initiatives where the banks will be called upon to provide some working capital.

**CHAIR**—Mr Harnisch, do you have any comments on that issue from your organisation’s perspective?

**Mr Harnisch**—The short answer to Mr Humphries’ question is: there is a proper role for the private sector, with obviously public housing being complementary. Given the current state of the economy and of the housing sector, this stimulus in social housing can complement the decline in the private sector, and that is why we support it. The issue about spot purchasing has merit. It has a role to play, and it is an option that should be considered. The point that I would also emphasise is that, in the end, this will mainly be undertaken by the private sector. I suspect that not many of the social housing groups have the capability to tender and procure the dwellings themselves, even if they were allowed to.

The reality is that what we need to do is to generate confidence. We need to get the private sector ready and prepared in the procurement process to be able to take up the opportunities that are presented. I certainly support the proposition that we need to normalise credit facilities, because that is the major problem that is facing business at the moment.

**Senator HUMPHRIES**—Can I ask you about the capacity of state and territory housing authorities to deliver these sorts of very ambitious programs. Would you agree that there are significant problems with the

effectiveness of many of these authorities, and do you anticipate that that would constitute an impediment to the quick and efficient rollout of some of these projects?

**Mr Harnisch**—It is a proper question to be asking, but perhaps we are not well placed to give detailed answers. Having been a long student of housing, including of public housing, for over nearly 30 years, the conclusion one does come to, looking at some broad statistics that are publicly available through the Commonwealth-state housing agreements previously—which, as I said, you could argue is a fairly raw analysis—is that over the last 10 years or so the Commonwealth through the Commonwealth-State Housing Agreement has pumped in something like \$10 billion, but when I look at the public housing stock, I am dismayed by the fact the housing stock has actually declined.

**Senator HUMPHRIES**—What is the reason for that?

**Mr Harnisch**—I do not know that. My simple mind says that I would have thought we would have got a little bit more than minus X houses after spending \$10 billion.

**Dr Silberberg**—I think there are a number of reasons. I should also make the observation that the nation-building plan does provide \$400 million for the upgrading of some public housing and an additional \$500 million for acquisitions. I understand that state housing agencies conveyed to the Australian government their capacity to move on some projects for which they have development consent and that that helped underpin the commitment of \$500 million.

There is a perverse incentive for state housing authorities to divest public housing stock. That relates to the eligibility for Commonwealth Rent Assistance. Public housing tenants are not eligible for CRA, but those tenants under the management of a community housing entity would be eligible. In addition, public housing authorities are not GST free. Charitable organisations can get approval for GST-free status, which means that those GST-free entities can acquire social housing at a lower cost. So, in our view, we are not talking about a level playing field. The cost of maintaining public housing stock has escalated very substantially. There have been inadequate contributions at the Australian government level and at state government level for public housing purposes.

**Senator HUMPHRIES**—So you do not see the need for a shake-up of the way the state housing authorities operate?

**Mr Lamont**—If we understand your question correctly, it was geared towards the preferred method for procuring this housing stock.

**Senator HUMPHRIES**—That is one of the issues; it is also a question of efficiency of these bodies at all.

**CHAIR**—I think it is a wider issue for the long term.

**Mr Lamont**—We would hold severe reservations about traditional forms of procurement by both the Commonwealth and the state level as to their effectiveness in providing the necessary response on this occasion, both in a speed-to-market point of view, given that it is a fiscal stimulus package, and of the appropriateness of many of the additional requirements that are contained within state and Commonwealth tendering requirements for public works or public property. It is clear, from our perspective at least, that in this particular fiscal package there is a requirement for an amended procurement strategy, one involved in off-the-plan purchases, one that is more cohesive to the requirements of the private sector in order to deliver this package efficiently and quickly. We have spoken about the 25,000-odd dwellings that have been approved. They are effectively owned by private sector consortia. Their developments will be, by and large, by the private sector as well. Many of those would not be eligible under strict enforcement of state or Commonwealth tender procedures. There has to be a fairly significant amendment to current procedures to allow this work to occur relatively quickly.

**Senator HUMPHRIES**—Is that amendment in this package?

**Mr Lamont**—It is not entertained as the delivery vehicle. That is probably more of concern to us.

**Senator HUMPHRIES**—I think you made comment before, Dr Silberberg, about the states being short of money and therefore reducing charges. I think you were hinting that it was not really within the purview of the states. Could I put it to you that it is Australia facing a global financial crisis, not the Commonwealth of Australia. A number of states are in fact considering or have implemented stimulus packages of their own. Wouldn't it be appropriate for the Commonwealth to say, as part of this \$6.4 billion rollout, that the states should at the very least address the level of taxes and charges on the housing industry generally as a way of

stimulating across-the-board the kind of building activity that you are calling for? I see Mr Harnisch is nodding. I will come to him in a minute.

**Dr Silberberg**—I think it is a fair point. There are a lot of taxes and charges embedded in the cost of new housing, and there has been a shift over the past 20-odd years to front-end loading of new housing with so-called development charges. They are a tax and they are raised typically by local government and in some cases by states. They have contributed to a distinct lack of housing affordability of new housing. The way in which we fund residential development infrastructure is an enormously important issue. The Housing Affordability Fund introduced by the Australian government tries to address in part the development charges. I think the New South Wales government announced fairly recently a revision to its state infrastructure charging and local government charging, where it has put a cap on the taxes that local government can apply to new residential development. I think they are worthwhile changes.

**Senator HUMPHRIES**—So they are seeking to reduce the cost by asking local government authorities to cut their costs and not their own costs?

**Mr Lamont**—Is twofold. They are asking for an upper level cap, if you like, which would reduce the infrastructure charges capable of being charged by some local governments. It is also asking for greater transparency in terms of what those actual charges are levied on. So it is twofold in the sense that we would agree that across Australia state and local government charges on new developments are far too high. There is a twofold response required: (1) some accountability and transparency in respect to what charges are levied on in respect to new housing and ensuring that revenue collected for infrastructure is actually spent on the development; (2) a review of the contributions of each level of government to supporting the infrastructure necessary for new residential development.

**Senator HUMPHRIES**—But there is no money on the table from the New South Wales government in terms of a reduction of their charges in respect of any of these housing projects?

**Dr Silberberg**—It is a policy decision to cap.

**Senator HUMPHRIES**—Mr Harnisch, you wanted to comment on my question.

**Mr Harnisch**—We have called on local governments to play their bit. It is not just a Commonwealth government problem; it is a national problem. The other challenge for local government in particular in terms of the stimulus package—apart from the development charges, which is a major problem and has led to major problems of affordability the past—is approval delays. Unless local government and local councils play their role in approving this package, we will only see delays. We cannot go through the normal tortuous consultation processes that sometimes take place. Local councils and communities need to be mindful that this is not the time to play local politics. Everyone is required to put their shoulder to the wheel to solve the problem that we are all facing as a nation.

**Senator LUDLAM**—Thanks for coming in this morning. We are building housing for a cohort of people that are generally going to be on fairly low incomes, so the long-term affordability of the properties is very important. I am particularly interested in energy efficiency and water efficiency. Do you have a view on the standards that the government may or may not have set for this tranche of housing?

**Dr Silberberg**—Yes. Each state and territory mandates a certain level of energy efficiency, or thermal performance, in new dwellings. In addition, most states have water efficiency and supply requirements in new dwellings. We have prepared a ready reckoner of the different energy and water regulations that apply in each state and territory which we are happy to furnish the committee with.

**CHAIR**—Please table it.

**Dr Silberberg**—Thank you.

**Senator HUMPHRIES**—Does it come with a magnifying glass?

**Dr Silberberg**—That is part of the issue, isn't it? We have a plethora of regulation relating to the way in which dwellings are to be prepared for the market. In some cases we have manufacturers that have been so confounded by the differences in regulatory requirements they have given up manufacturing and supplying in some states. That partly reflects the uncertainty surrounding investment decisions when the rules of the game are changed all too frequently. At the briefing last Friday the Prime Minister made the observation that we have to be prepared to be flexible. Part of the package is to meet some social objectives, but the Australian government is keen to get a stimulus to economic activity and jobs as expeditiously as possible. There seems to be a view that the dwellings that the industry produces are substandard with respect to energy efficiency. If

there are substandard dwellings, they are in the established dwellings stock. Each state and territory is operating on five-star energy efficiency, except in the case of Queensland and Tasmania, which have agreed to move to five star—in the case of Queensland, by next month.

**Senator LUDLAM**—The five-star rating that came in with the Building Code of Australia that came into effect in 2006 still leaves us about 50 per cent below the minimum standards in the US. So, compared to the United States at least, we are still building very energy inefficient housing. Do you have a view of whether the industry will be able to skill up in time to hit some better benchmarks than the ones that we have set for ourselves to date?

**Dr Silberberg**—I do not see the United States as being directly comparable with Australia.

**Senator LUDLAM**—Why is that?

**Dr Silberberg**—They have different climatic conditions in some states.

**Senator LUDLAM**—The study that I am referring to was done by the Insulation Council of Australia and New Zealand. They looked at equivalent of climate zones, so they looked at the same kinds of climates across the countries. We came out very sadly lacking.

**Dr Silberberg**—I do not think five-star is something we ought to apologise for. Again, there is a balance that needs to be achieved here. If there is a predilection for a six- or seven-star energy efficiency rating on the dwellings to be acquired then I am afraid we will have to go back to the drawing board and resubmit for development consent, because there will be structural changes required to those dwellings. Do we want people in jobs, with reasonable levels of sustainability in new dwellings, or are we going to increase the threshold on sustainability requirements and not get the activity response, certainly not in a timely way?

**Senator LUDLAM**—There seems to be a sense there that you would rather just see another large tranche of what I would put to you is essentially substandard construction compared with what we could be doing, just because we are in a hurry, but that does then condemn people on low incomes to living in very energy inefficient and expensive housing.

**Dr Silberberg**—I disagree with that, Senator. New dwellings are not energy inefficient.

**Mr Lamont**—If we have a five-star assessed home, there is a bigger efficiency dividend with respect to energy use: numerous studies done across Australia, including, I understand, by the Australian Building Codes Board, would suggest that mandating energy efficient appliances actually makes a greater contribution to reducing the carbon emission of individual homes. We are still waiting for the ex post evaluation that was meant to be done on the five-star decision of 2005, I believe. It would be useful to have that. That was meant to have done a cost-benefit assessment, looking at the net private benefit, the net social benefit and the associated cost on both sides as well.

Diminishing marginal returns have set in with respect to going from five to six. That is not to say that at some point technology, building techniques et cetera will not allow us to build six- and seven-star homes, but, as Dr Silberberg has articulated, the homes that we are building now satisfy, in most states, five-star requirements and are light years ahead of what was built 20 years ago with respect to energy efficiency. I think the public housing stock, in the main, would not be five-star compliant. It would be nowhere near five-star compliant. What we are talking about is effectively making an investment in that stock which is suitably more energy efficient than the existing stock, which will reduce running costs and operating costs. But I would caution, with respect to the operational use of that housing, that it very much depends upon the tenant activity in that particular dwelling and the types of appliances that are installed. As I mentioned before, there have been numerous studies about the efficiency gains that can be delivered by suitably selecting energy efficient appliances and their operation.

**Senator LUDLAM**—I do not think anybody would disagree that appliances are important, and the lifestyle choices and the way people live in the homes are very important, but it just struck me that we do seem to still be well behind the game, just in terms of the building shell. The actual construction of the houses that we are putting together is still not as energy efficient as it could be for fairly marginal increases in costs, if anything.

**Dr Silberberg**—In order to comply with a five-star energy efficiency rating, a dwelling would require wall insulation, ceiling and roof insulation, floor insulation in cooler climates, passive solar design of the home to face windows north and east but avoid west and south, shading of windows to the north for summer and performance glazing in windows in cold climates or western windows.

**Senator LUDLAM**—So what are we doing that is still leaving us so far behind other places? That all sounds exceptionally good common sense, so what are we not doing?

**Dr Silberberg**—The—

**CHAIR**—I am sorry; I do not want to interrupt, but this is a really core issue, and it is a longstanding one, about the building code and the star ratings. I have heard it on a number of occasions. Dr Silberberg, can we get something from your organisation to respond to Senator Ludlam's question—

**Dr Silberberg**—Yes.

**CHAIR**—because we are on a tight time frame and this is a really threshold issue. Rather than take more time in conversation, if we could just get something on that, it would be useful.

**Dr Silberberg**—Hopefully this table will be of some assistance to the committee.

**CHAIR**—The different regulations would be very useful, but I think what we are seeking is to get some idea of the concern raised by Senator Ludlam about the varying international standards for environmental processes and to see what we are doing in Australia. That is right?

**Senator LUDLAM**—Thank you.

**Senator XENOPHON**—There are a couple of areas I want to raise with the panel. The first relates to the issue of capacity constraints with the government's very welcome increase in the first home owners and subsequent homeowners grants last year, with what is being proposed in social housing. There is also what is being proposed with respect to the schools, some \$12 billion in rebuilding or new buildings for schools around the country, which I think the departmental officials said would provide work for smaller builders in many of those projects. Is there any concern from any of you on the panel that that could lead to some bottlenecks and production constraints, given the first home owners grant increases, social housing and schools?

**Dr Silberberg**—If we were looking at 150,000 to 160,000 dwelling starts, there would be some reason to pause to consider the implications for capacity within the industry, but we are not running at that level of activity; we are running at less than 130,000 dwelling starts, so we see the housing component of the package plugging a substantial hole in private sector dwelling activity. A recent survey undertaken by HIA and Austral Bricks on resource capacity and cost movements in the sector indicated that price pressures on trades were moderating, in some cases—

**Senator XENOPHON**—I do not want to cut you short, but you are confident that there will not be capacity constraints with all that is being proposed?

**Dr Silberberg**—I would say that we can get up to 150,000 or 160,000 starts without hitting capacity constraints.

**Senator XENOPHON**—Mr Harnisch, you were nodding at that.

**CHAIR**—Mr Harnisch, do you agree with that?

**Mr Harnisch**—Certainly for the housing sector I agree. I think we are underbuilding, and therefore, in terms of labour and materials, the capacity is certainly there. We are fairly confident that there will not be any significant blockages, if any. In terms of the commercial building sector, about the schools, we conducted a survey in December 2008 and that survey of our members is showing—supported by ABS data, of course—that the commercial building sector is in severe decline. Our members are saying that they have virtually no work on the books beyond mid-year this year, and therefore there would certainly be no capacity constraints with the commercial building sector to undertake the schools.

**Dr Silberberg**—That is on the labour. With respect to the supply of building products, it is a fact that a number of manufacturers have closed plant. Some are reopening plant, and they have been able to recommission their plant in seven days, which is not too bad. They are providing incentives for some of their mature age workers to come back.

**Senator XENOPHON**—I am constrained by time. Can I just ask one more question. Further to Senator Humphries's line of questioning in relation to local government charges, another significant issue in the complaints I get from builders and developers is that it is also planning laws and delays with getting planning approval, which, in some cases, goes into 18 months for even a small project. In terms of knocking heads to reform that—and you may want to take this on notice for a response, perhaps even this afternoon, in writing—do you agree that that is a significant factor in slowing down or adding to the holding costs of people and worsening housing affordability?

**Mr Harnisch**—I alluded to that problem earlier in my evidence to this committee. Yes, it is a major problem, and local governments must fast-track these approvals. We do not want to have them sitting in their in-trays for nine months or 18 months for decisions.

**Senator XENOPHON**—But there aren't enough planners around, apparently.

**Mr Harnisch**—Sorry?

**Senator XENOPHON**—There is a shortage of planners, at least in my home state.

**Mr Lamont**—That is probably because the planning system is so complicated no-one wants to actually work on it! But with every round of proposed planning reform seems to come additional cost and additional time. That is why, with respect to this particular package, we are not somewhat cynical in calling for further planning reform, because the results so far have actually added cost and added time, and that is the last thing we need at this particular moment.

**Dr Silberberg**—There is a high level of scepticism in the industry when governments tell us or promise us, 'We're going to have planning reform,' or 'We're going to fast-track approvals.' Our plea: just do it. Let us stop talking about it. The answer is not the taxpayer finding more money to employ more planners in local government; it is about simplification. Detached housing for which there is zoning should be flick and tick. That would free up resources at local government to look at more complex proposals involving apartments.

**CHAIR**—Dr Silberberg, I have heard you on this issue before in other committees, so I am aware of the issues.

**Dr Silberberg**—Nothing changes.

**CHAIR**—That was only a recent committee, Dr Silberberg.

**Senator BILYK**—You talked earlier about the flow-on effect or the multiplier effect of this package going ahead, specifically with regard to the housing area. I was wondering if you could just expand on that a bit. We have just heard Dr Silberberg talk about the varying insulations and the level of extra jobs creation in those areas. Could you just expand on that a bit for the committee?

**Mr Harnisch**—I will give you a snapshot of the whole procurement process, though I might miss a couple of steps. To start at the beginning: someone needs to design these houses, so we employ those people. Then we go through the approvals process and we involve local government and we employ people there. Through the construction process, obviously lots of trades get employed. Of course, part of the procurement process is in the manufacturing area. It underpins the manufacturing process in terms of brick kilns remaining open, plasterboard manufacturing continuing, paint et cetera. Obviously during the construction phase there are other associated services, professional and otherwise, that come into plan. Then when people actually occupy housing, they go and spend money, which therefore flows into the retail sector.

When you look at the multiplier effects, they are very wide ranging. They can start instantaneously and they have a tail beyond the construction process. The multiplier effect of the residential and commercial building sectors is well documented and very powerful as an economic stimulus.

**Senator BILYK**—So you would see it as a continuing after the initial building phase as well?

**Mr Harnisch**—Correct. The impact of the stimulus package goes beyond the construction process—and obviously the procurement process before that. It has an impact in terms of consumer behaviour and retail spending.

**Mr Lamont**—On the multiplier effects, I would add that there a separate multiplier that we elaborated on previously, and that is that unlocking of development that has stalled on account of finance. I do not know whether you were in the room at that time.

**Senator BILYK**—I was.

**Mr Lamont**—We see that to be a necessary stimulus for the industry at this point. Building work that has been shelved for some time risks, if it stays there for too long, never coming to market. That is potentially thousands of jobs that the industry will never see.

**CHAIR**—Thank you, gentlemen. If there is anything that you want us to know, please get it to us quickly. I do think the matter regarding the environmental codes is a wider issue. So we would appreciate as much as we can get. I do take your point, Dr Silberberg, that this summary does show the variation of the different levels across the states.

[10.34 am]

**JAGGERS, Mr Andrew, Acting Coordinator, Housing Implementation, Department of Families, Housing, Community Affairs and Indigenous Affairs**

**LEEPER, Mr Geoff, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs**

**WINZAR, Ms Peta, Group Manager, Housing Group, Department of Families, Housing, Community Services and Indigenous Affairs**

**CHAIR**—Good morning. Thank you for returning and for being flexible with the demands of the timetable. I know that you are aware of parliamentary privilege and so on. I should mention that, as public servants, you are here to answer questions and not to make statements about policy. That applies to senators' questions as well. Mr Leeper, do you have an opening statement that you would like to make or do you want to go straight to questions?

**Mr Leeper**—I have a brief opening statement. At Friday's hearing of the Senate Standing Committee on Finance and Public Administration it became obvious to me that I should have perhaps made an opening statement—which is to the following effect. The Commonwealth has traditionally, over a very long time and over different incumbent governments, funded housing but always the delivery has been through the states. So there were some questions on Friday which we were unable to answer because we do not actually deliver the housing. If the committee could bear that in mind, it might save time on both sides. There were some questions that we took on notice on Friday which, to be frank, we were incapable of answering because, again, we do not hold the data that exists. So, within a general framework of being as helpful as we possibly can in answering the questions, if there are things that the committee asks us to take on notice that I know I cannot answer, I may seek your indulgence and make that comment at the time, just so that we are not having any false illusions about our capacity to meet tight time frames.

**CHAIR**—I will start with Senator Humphries and then move on to Senator Ludlam and then other senators if they have questions. I know that people have been in the room this morning and a number of issues that have been raised in evidence so far. So we will make sure that all those are addressed in the hearing.

**Senator HUMPHRIES**—I would like to follow on from your opening statement, Mr Leeper. Is FaHCSIA satisfied with the capacity of state and territory housing authorities to deliver on the package the Commonwealth has announced?

**Mr Leeper**—In broad, I would say yes, because it will not just be the state housing authorities that deliver the stimulus package in the housing area; it will also be private sector developers and building providers.

**Senator HUMPHRIES**—Are you saying that, because they are there to dilute the inefficiency of the state housing authorities, it makes it a little bit more palatable?

**Mr Leeper**—Not at all. What I am saying is that, were we to try to tip this money solely down the state housing authority in-house build—for example, Queensland has a government agency called QBuild—that might represent a supply constraint. We will be asking the states to run processes that get the best value for the Commonwealth out of the stimulus funding and provide as wide an economic effect as possible. That will be achieved by them delivering that housing not only through their own construction arms but also utilising private sector capacity.

**Senator HUMPHRIES**—Are you satisfied that the management efficiency and cultural practices of the state housing authorities are up to the task of delivering this package?

**Mr Leeper**—If you look at the national partnership that was agreed in the Nation Building and Jobs Plan, schedule (c), you will notice a number of reform directions that the Commonwealth and the states have agreed to pursue. Some of those go to important and longstanding issues in the housing space around the transparency of financial data. It is very difficult to get a consistent financial picture across all of the jurisdictions. We try to work out relative levels of effort and financial capability, and I think it is comparing apples with oranges, to be frank. So one of the things we are looking for there is a great degree of financial transparency. That is paragraph (c)(7)(f) as well as one of the agreed reform directions. What we are saying is that we acknowledge that the information base is not as clear as it could be and we have agreed collectively to work on that.

**Senator HUMPHRIES**—With respect, your answer does not fill me with confidence. You already foreshadowed in the other committee that the Commonwealth has the capacity to step in and, as it were, begin

to undertake some of these direct spot purchases of housing if state authorities are not delivering on the targets that have been set for them. I put it to you that the bulk of the effort here has to lie with the state and territory housing authorities and that the involvement of the Commonwealth, the private sector or community housing organisations is on the margins—that the work horse is the state authorities. Transparency goes only so far. If they fail to meet those targets, only on the margins is there an alternative to them as the deliverer of these programs.

**Mr Leeper**—I do not think I accept that. We will be working through the states in a funding sense, but we will be asking them to give us proposals. They will need to indicate who will be undertaking the construction activity. It might be the state housing authority itself. It might be a community housing provider. It might be a private developer, where we are purchasing off the plan a proportion of the dwellings in a proposed development. Mr Lamont was just referring to that additional multiplier. The Commonwealth may in fact be able to unlock 100 dwellings in a housing estate that is intended to be built by prepurchasing 15 to 20 of those under this plan and giving the builder the financial support they need to get clearance from their bank to proceed with the activity. So we will be coordinating through the states, but we will not be solely relying on the states to deliver the efforts.

**Senator HUMPHRIES**—I have some questions which I would normally have put on notice, but we do not really have the capacity.

**CHAIR**—We do not have notice.

**Senator HUMPHRIES**—No, so I will ask you the questions. What is the total number of public housing dwellings to be newly constructed under the new National Affordable Housing Agreement that was completed only recently? I want to exclude from that any of the NRAS houses, the Indigenous housing programs, the SAAP or the homelessness initiative.

**Ms Winzar**—There was an explicit \$400 million funding package for the construction of new dwellings as part of the National Partnership Agreement on Social Housing, which tags to the NAHA, the National Affordable Housing Agreement. That is projected to build between 1,600 and 2,100 dwellings. That is over this financial year and next.

**Senator HUMPHRIES**—Could I say that between 1,600 and 2,100 dwellings is the projected increase in public housing dwelling stock over the term of the next two years?

**Ms Winzar**—Under the National Affordable Housing Agreement, that was the only explicit requirement, yes.

**Senator HUMPHRIES**—What is the duration of NAHA?

**Ms Winzar**—It runs for five years.

**Senator HUMPHRIES**—What is the projection in total public housing dwelling stock over those five years?

**Ms Winzar**—We do not have a five-year projection. I think the stock numbers, as you would have heard earlier this morning, have been declining over the last 10-year period. We would hope to arrest that through this next five-year period.

**Senator HUMPHRIES**—So the \$400 million is for construction in the next two years?

**Ms Winzar**—Solely for construction in the next two years—or not necessarily construction but purchase off the plan or spot purchasing new house and land packages.

**Senator HUMPHRIES**—What is the cost over the term of NAHA for maintaining and operating the additional dwellings to be created under the initiative?

**Ms Winzar**—Maintenance costs per dwelling really do depend on the age of the dwelling unit. Roughly, for a house that is less than 15 years old—

**Senator HUMPHRIES**—I am talking about the additional dwellings being created.

**Ms Winzar**—For the additional houses, in that category the annual maintenance spend by states and territories averages out at around \$1,000 per dwelling unit a year.

**Senator HUMPHRIES**—Is that cost to be sustained by the state authorities or by the Commonwealth?

**Ms Winzar**—By the state authorities.

**Senator HUMPHRIES**—If there are overruns in those costs, who meets them?

**Ms Winzar**—The states and territories wear those costs.

**Senator HUMPHRIES**—Turning to the stimulus package, of the 20,000 dwellings proposed, do we have a breakdown by state or by region?

**Mr Leeper**—We do not have a breakdown by state. The funding itself is intended to be distributed on a per capita basis. I could read into the *Hansard* quickly the totals per state that we expect would be achieved.

**Senator HUMPHRIES**—Thank you.

**Mr Leeper**—As I mentioned on Friday, there are three components to the package. There is \$400 million in additional maintenance over two years, so set that aside for the moment. There is an initial \$692 million of construction activity, which we are getting going as fast as we can. There is a second component of \$5.3 billion. Out of that \$5,988 million over the four years to 2011 and 2012, the amounts per jurisdiction are as follows: New South Wales, \$1.952 billion; Victoria, \$1.484 billion; Queensland—

**Senator HUMPHRIES**—Sorry, can I just interrupt there. I was after the dwelling numbers rather than the dollars. Can you give me dwelling numbers?

**Mr Leeper**—No, because what we are allocating to the states is funding. Across the whole package Australia-wide the average amount allowed per dwelling with or without land incidental is \$300,000. The results that will be achieved may be different from jurisdiction to jurisdiction depending on the cost of house and or land packages and also depending on the degree of financial leverage that can be achieved by locking other developments. So the answer may well be more than proportionate in one jurisdiction to its funding share.

**Senator HUMPHRIES**—Can you finish reading those figures?

**CHAIR**—Mr Leeper, maybe you could just table the documents. Then we can all read it.

**Mr Leeper**—Certainly, if you are happy with that. That is fine.

**Senator HUMPHRIES**—I want to understand how that works then. If you are effectively providing a dollar amount to each state rather than an individual target for that stated number of dwellings, suppose a state decides that its greatest need is to provide housing in rural and remote areas where costs are higher, then you might end up with that state delivering on the dollars but delivering on a smaller number of houses or dwellings than would help that state to reach its share of the target of 20,000 dwellings. How do you prevent that from occurring?

**Mr Leeper**—We will ask the states to run processes where they can try and get, as I have indicated before, building construction activity sourced from a range of different potential providers. As a result of that process they will then put final proposals to the Commonwealth no later than the end of June—we hope earlier—and I would expect those proposals will indicate the number of housing outcomes they expect they can achieve within the funding envelope that has been provided on a per capita basis. If, as we are hopeful, we can leverage this funding in a number of ways, it may well be that we achieve more than 20,000 dwellings. So at the moment I cannot be precise in that answer.

**Senator HUMPHRIES**—So you cannot indicate at this stage. You can tell us how much money will be spent in each state but not how many dwellings in each state or how the money is likely to be broken up between regions or between types of dwellings.

**Ms Winzar**—We are not intending to be prescriptive with the states about types of dwellings, as in stand-alone housing or unit developments. The mix-and-match will depend very much on the profile of clients that they have on their public housing waiting lists who are in high need. I think there was an observation—it might have been from Mr Pisarski earlier this morning—that the demand for housing is more and more for two-bedroom or four-bedroom accommodation rather than the standard three-bedroom accommodation that is currently available, so it will depend very much by jurisdiction.

Our expectation of their geographic distribution is that at least a third of these new dwellings would be located outside the metropolitan areas because we are very conscious that housing stress is an issue that runs right across the country both in capital cities and beyond.

**Senator HUMPHRIES**—But in due course as this program unfolds are you expecting to come back to this committee or the parliament and tell us what has been decided about allocation between regions and things like that?

**Ms Winzar**—Yes, certainly.

**Senator HUMPHRIES**—How many new public housing dwellings were constructed in the 12 months and the five years to 30 June 2008 by state?

**Ms Winzar**—We are not able to locate that information for you in the time that you have available.

**Senator HUMPHRIES**—Alright.

**Ms Winzar**—The issue for us is that states and territories have an ongoing construction program and in some cases that is replacement stock and in others it is additional stock. It varies quite a lot.

**Senator HUMPHRIES**—Are you able to tell me what the average cost of construction per dwelling and for public housing projects over those two periods was by state or even nationally?

**Ms Winzar**—No, I would not be able to provide that information for you today.

**Senator HUMPHRIES**—Can you tell me what the average completion time for the construction of housing in those categories might have been over those periods?

**Mr Leeper**—I do not think it is stated that we have either. This activity is undertaken by the states themselves and they manage it as an end-to-end process.

**Senator HUMPHRIES**—I am dipping out a bit here, so excuse me if I am chasing a dead cat. How many public housing projects have current development and building approval by state?

**Mr Leeper**—In developing the proposal we asked the states to advise us of housing that was planned to be built, had development approval and all it was waiting for was funding. That, as I understand it, was fundamentally the basis for the initial \$692 million worth of construction. I cannot do the quick maths in my head but it is about 2000 dwellings that we are doing an element one of the national partnership proposal. State housing authorities at our request made inquiries and they advised us of around \$700 million worth of development approved, ready to go construction activity that was waiting just for dollars. That is where that part of the package has come from.

**Senator HUMPHRIES**—How do you factor into that projection a means of ensuring that the states do not relax their own targets, existing or projected? Do all states, for example, have targets for construction of dwellings under their own programs until the end of the period of this initiative?

**Mr Leeper**—I think this will probably be a slightly longer answer than you would like. The states are required to run their housing stock to meet a number of objectives. They will from time to time refurbish some stock or sell some down and so the numbers involved are not necessarily static. It was certainly our objective and intention under the National Affordable Housing Agreement that the money that we put on the table there, the \$400 million that Ms Winzar has already referred to, would result in additional stock over and above their existing forward plans. It is really a notion of a forward estimate of housing. Some of the state housing authorities have plans to sell down stock because of their financial position. In relation to the stimulus package heads of Treasury will do a baseline exercise and that will be completed before 30 June and that will give us a starting position against which to assess and satisfy ourselves that these dwellings are really new and additional and not being substituted for by a diminution of state effort. That is really quite important.

**Senator HUMPHRIES**—There is nothing to stop the states, in the period of this agreement, from selling down stock that they have purchased and built with the Commonwealth money is there?

**Ms Winzar**—We would not want to prevent them from doing so in part because of the old legacy stock that they have which does cost more to maintain and that no longer necessarily meets the needs of people who are seeking accommodation. There is a significant mismatch between demand and existing stock supply. We would want them to be selling stock and obviously replacing it.

**Senator HUMPHRIES**—What I was referring to was selling stock that they have actually built using Commonwealth money. Supposing they build some new housing stock in this coming financial year and then in three years time, while the agreement is still current, they need to get some cash for the operation of their own housing schemes. The houses that they have built recently would be presumably worth more on the market than the older stock and selling that might be more lucrative for them. There is nothing to stop them from selling that stock is there?

**Mr Leeper**—Theoretically no, Senator. Under the National Affordable Housing Agreement the Commonwealth is seeking to 'purchase' housing outcomes. What we are seeking to measure is access by Australians, particularly those in the lower two income quintiles, to affordable, safe and sustainable housing. To the extent that the states sell down stock in net terms they will show up worse in some of those high-level

indicators. The Commonwealth has not been in the business of prescribing actual numbers of stock to be maintained. The states really are running a bit of a business with the housing function.

**Senator HUMPHRIES**—They could still satisfy you that they have the total number of houses in their stock but the age of the houses might be older than you would expect given the infusion of funding into this program. Other indicators of its quality might be lower than you would expect.

**Mr Leeper**—The effect of this package will be twofold. One is that by adding 20,000 units to a stock base of around 350,000 to 360,000 units, the average age of the stock will come down. In addition the \$400 million in maintenance money being provided this financial year and next financial year will enable the state housing authorities to keep about 2½ thousand units of stock that they would otherwise have to have sold because of the state it was in—it was no longer tenatable. There are tenants in these properties now, but they would have been sold off at some stage in the next two years unless the additional maintenance money that we have now provided had been applied.

**Senator HUMPHRIES**—Have any assumptions been made regarding the cost and construction time frame of the public housing projects to support the estimates of projected expenditure on those 20,000 houses?

**Ms Winzar**—Yes, we have done some planning in terms of the broad timing around, as Mr Leeper has indicated, what states have already advised us of that is in their planning pipeline and that they can begin as soon as they have funding available. We have also projected from the timing around a tender process to be conducted in each state, beginning later this financial year, with decisions made in about August-September and then commencements of dwellings flowing six-monthly from that point. So, in our view, we would expect about 300 houses to be commenced this financial year. Next financial year we would expect about a further 9½ thousand houses to be commenced. We expect 10,000 in the subsequent financial year, and we believe that we will need to extend the funding into 2011-12 to pick up the tail end of the construction. We have some quite detailed expectations of start dates and finish dates.

**Senator HUMPHRIES**—What I was really getting at was whether you could give us an assumption about the average cost. I understand that \$300,000 has been talked about as the average cost of delivery of a house, but is there an average time frame for delivery?

**Ms Winzar**—It depends on whether we are talking about multi-unit developments or stand-alone houses and whether we are talking about purchase off the plan or purchasing house and land packages which have been constructed or are almost completed but have not yet been tenanted. So it will vary a lot.

**Senator HUMPHRIES**—Are there assumptions for any of those categories?

**Ms Winzar**—Yes, I think there are for the multi-unit developments, on the basis of HIA's advice to us that there were a number which already had development approval and were ready to go if presales could be secured. It was about a 12-month completion time for that set, and from memory it was six to nine months for the balance of construction.

**Senator HUMPHRIES**—In the evidence that you—I think it was you—or other public servants gave to the Senate Standing Committee on Finance and Public Administration, you indicated that you had not undertaken an independent verification of the state and territory government assurances regarding their advice to you on their capacity to implement this measure. I understand that in responses to questions on notice you confirmed that you had no knowledge, at the time of providing advice and costing for this package, of the percentage of new public housing projects, by number of dwellings, that were completed on time and on budget within the 12 months or five years to 30 June 2008. Given all that, what assurance can we have that the costings that you have referred to today are likely to be achieved—that those average projected costings of \$300,000 per dwelling or the total delivery of 20,000 houses with the total cost of the package will be capable of being delivered?

**Ms Winzar**—Scrutiny around the whole of the economic stimulus package, including this particular component, will be fairly vigorous, as the Prime Minister has indicated. We have provision in our agreement with the states to withdraw, withhold or reallocate funding if they fall behind on their delivery milestones. We will be monitoring their progress in terms of development applications, development approvals, commencements, completions and tenanting quite diligently, and we will be providing reports to our ministers on a very regular basis. I think that at this stage it is proposed to have monthly reports at headline level and then much more detailed reports at quarterly intervals.

**CHAIR**—Ms Winzar, have you been maintaining that kind of scrutiny over previous allocations from the department in terms of housing funding, or is it particularly for this one?

**Ms Winzar**—There has not been any investment similar to this.

**CHAIR**—It is different, yes.

**Ms Winzar**—So we have not had the opportunity to do that.

**CHAIR**—So with that kind of scrutiny and benchmarking—in particular, with the questions that Senator Humphries has been asking about historical data—you will be able to provide that data for funding that comes under this package.

**Ms Winzar**—That is correct.

**Senator HUMPHRIES**—I understand, Mr Leeper, that in evidence given on Friday you indicated that FaHCSIA had not been contacted to provide input to the policy process associated with the stimulus package until the new year, but subsequently the department indicated that they had been contacted for a contribution as early as 17 December. Could you clear up that apparent inconsistency, please.

**Mr Leeper**—Yes. In front of the committee, my best recollection is that we had had contact in the first week of the new year, which was the week of 5 January. On checking my records, it was drawn to my attention that we at officer level had been requested to begin work on some ideas for a potential housing response on 17 December. The memory that I have of 5 January was a meeting that I called internally to begin to pull together that effort after people had returned from their Christmas leave. So 5 January was when the substantive work occurred, but the contact which was initially made was on 17 December.

**Senator HUMPHRIES**—I am curious as to why, with something like the between five and seven weeks that the department had to provide advice on these matters for the purpose of developing a package, it was not possible to get more robust costings from the states and territories on those things that I asked you about earlier on: construction costs, time frames for delivery. Surely that information could have been obtained in that kind of time frame from the states and territories? Was it sought within that time frame from the states and territories?

**Ms Winzar**—We sought a range of information from the states. We did not ask them the specific questions which you have raised with us today or last week. We certainly asked them what they had in the pipeline that they could bring forward with additional funds immediately. We also asked them for an indication of what extra demand they could meet in their state were there to be a much larger amount of funding available over the forthcoming few years. The type of information that we obtained included location, dwelling type—in some cases, down to address level; in some cases just at township level—and average costings for each unit of development.

**Senator HUMPHRIES**—I put it to you that just asking the states to indicate to you what they might be able to deliver was operating on a bit of a wing and a prayer—that it would have been more circumspect to have actually asked the states what they have been delivering, what the cost of what they have done has been and under what time frames they have delivered those existing state housing projects as an indication of what they would be able to achieve with additional Commonwealth money. Isn't that logical?

**Ms Winzar**—I think it is in large part a question of scale. As I indicated, we have not had this sort of injection into capital funding from the Commonwealth to state housing for some many years. What we did ask them for was what dwelling commencements they would expect, quarter by quarter, over the next couple of years, to give us some sense about both scale and their capability.

**Senator HUMPHRIES**—You would expect them to be more efficient with a larger scale of investment, presumably. Economies of scale presumably apply there, but the baseline ought to be what they have been actually achieving to date, and using that as a sort of benchmark against which to measure this additional investment would be a good idea, wouldn't it?

**Ms Winzar**—Perhaps. The process that we are envisaging is that we will be very closely involved with the states in specifying the tender requirements and the timing, and very closely monitoring the delivery through this process with some sanctions if they do not deliver.

**Senator HUMPHRIES**—Will you be using land that is currently owned by the Commonwealth to deliver any of this package?

**Mr Leeper**—If the Commonwealth were to decide to release any land that it currently holds, subject to a decision of government, that would normally be sold to the states unless a decision were made to provide it for this exercise. We have not assumed any provision of Commonwealth land in our costings. State housing authorities have, to varying degrees, land holdings of their own, so some of these houses will be built on land

already owned by the state housing authorities. In other cases, the money will be used to buy house and land packages, in effect, from the commercial market.

**Senator HUMPHRIES**—So you are not ruling out the use of Commonwealth-owned land but, if it were made available, you would expect it to be sold to the states first?

**Mr Leeper**—That would be a matter for government decision. What I am saying is that there is nothing in what we have put in the package at the moment that relies upon Commonwealth land being provided, so were a decision taken to release Commonwealth land, that would be a further matter for government about the conditions under which it was released.

**Senator HUMPHRIES**—Has any work been done on identifying land that might be suitable for release under such a process?

**Mr Leeper**—As part of the work leading up to the National Affordable Housing Agreement and in fulfilment of a government election commitment, the department has been working to identify potentially surplus Commonwealth land that might be released to the market.

**Senator HUMPHRIES**—Can you provide any information about what sort of land is being considered at the moment?

**Mr Leeper**—Those are matters for decision by government.

**Senator HUMPHRIES**—Can you outline the tendering process that will be employed to let contracts for the construction of the dwelling projects that we are talking about?

**Ms Winzar**—We have a two-part proposal. We have the \$690-odd million for immediate bring-forward work. For the larger amount of something like \$5½ billion dollars, we would aim to put out an expression of interest or an alert to the industry around about mid to late March. Through the course of the next two months we expect to be working fairly closely with the states on the tender specifications. We would then hope that the tender itself would be released in very early May with, as I indicated, decisions around about August-September.

**Senator HUMPHRIES**—Have you asked the states and territories to consider waiving any taxes or charges in relation to the acquisition, planning and development processes or the provision of supporting infrastructure for these projects?

**Mr Leeper**—The department has not made any such requests, nor am I aware of any such requests being made of the states.

**Senator HUMPHRIES**—You are the department of housing, so you are handling the package. Who would make the request if not you?

**Mr Leeper**—I am just indicating that we have not made the request and that I am not aware of it having been raised at any stage during the COAG discussions that were held last week. I am indicating that it has not been raised by the Commonwealth.

**Senator HUMPHRIES**—Was it a decision of government that this issue not be raised, or are you saying it simply has not occurred to the department to take this issue up with the states?

**Mr Leeper**—We have made normal assumptions about how the states would operate, construct and levy charges on these constructions as if they were any ordinary, normal commercial development.

**Senator HUMPHRIES**—Can I take it from that, if this is viewed as a package designed to stimulate the housing sector, that there really is not any state and territory contribution to this process, except to open their doors for the Commonwealth money to be poured into? They are not making any contribution to the net value of this exercise, except to deliver what the Commonwealth has provided. There is no cost to the states and territories in making this package possible.

**Mr Leeper**—It is certainly true that the entire cost of the package is being borne by the Commonwealth—the \$6.4 billion for housing.

**Senator HUMPHRIES**—Will any of the planning and development processes be waived, fast-tracked or otherwise altered to make these projects happen?

**Mr Leeper**—That would be a matter for the states to decide. We certainly would be interested in raising with the states whatever possibilities they could pursue to make sure that potential construction that does not yet have development approval gets that as fast as possible, but that is a matter for the states to determine.

**Senator HUMPHRIES**—So you are interested in asking them but have not actually done that as yet.

**Mr Leeper**—Having executed the national partnership agreement at COAG last week, we now need to do bilateral implementation plans. We could potentially raise with the states in those plans what they would be able to do or be prepared to do to get their governments' support for fast-tracking development approvals, noting that that actually involves the local government level, not the state government level.

**Senator HUMPHRIES**—I am still not quite clear why you feel that you are able to take up with the states, as this project unfolds, the question of waiving planning processes or cutting red tape but do not feel the same capacity to raise with them the question of cutting charges or taxes that they might levy on the process.

**Mr Leeper**—Development approvals go to the issue of how fast developments are approved. The people that we speak to, with great respect to them, would not have authority from their treasuries to make decisions conceding taxes and other charges which have an impact on state budgets.

**Senator HUMPHRIES**—What proportion of the funding allocated to this package has been assigned to administrative expenses?

**Mr Leeper**—State costs of project-managing these arrangements, where they do that themselves or where third parties do it, would be included within the average \$300,000 payment.

**Senator HUMPHRIES**—Okay, but if you have averaged the payment at \$300,000, what normally would be the proportion of that which was associated with administrative costs for the states?

**Mr Leeper**—We are not providing administrative costs separately. As I understand it, the states where they do this activity themselves would capitalise some of that effort. I do not know what that figure is. Were the states as part of the response to purchase off the plan dwellings which are part of a commercial development, those commercial developers will have their management costs also embedded within the overall cost. I do not have a figure, I am sorry, of what that proportion might be.

**Senator HUMPHRIES**—Given the extraordinary increase in the size of the rollout of this investment and the amount of money that is being spent on public housing as a result of this package, what additional administrative capacity do you think would be required to implement the program within the timeframes we are talking about here, at either the state and territory level or the Commonwealth level, for that matter?

**Mr Leeper**—At the Commonwealth level we have put a proposal forward for departmental costs to support the effort required to liaise with the states. The states, as I think in response to the previous question I indicated, will probably include their additional costs where relevant in the capitalised value of the program.

**Senator HUMPHRIES**—You said that there is a Commonwealth item there for increasing its capacity. Has that been itemised? What is the size of that?

**Mr Jagers**—The costs are not in this bill but we are working with Finance to finalise costings to allow us to implement the package.

**Mr Leeper**—Those costs will be brought to account in the 2009-10 budget process; they are not part of the appropriations process for the stimulus package.

**Senator HUMPHRIES**—Okay, but that is effectively an additional cost associated with this package.

**Ms Winzar**—That is correct, Senator.

**CHAIR**—Just in terms of the coordination and the review, Mr Leeper, the communique indicated those new positions that are going to be set up both at the federal and the state levels to look at the whole package. What is going to be the interaction between the specific work that your department is doing on the housing component and that position? I am interested in terms of just how we actually nail down how it is going to be reviewed and it would be useful to have as much as you have at this stage on record.

**Mr Leeper**—For Hansard's purposes I apologise for this but I am going to describe a square. There is a coordinator-general, which is a deputy secretary position in the Prime Minister's Department, who will oversee the entire stimulus package. Mr Jagers is a coordinator in FaHCSIA, a new position. He is acting in the role and we are going to advertise it, but his role will be to draw together the FaHCSIA component of the effort and work with Prime Minister and Cabinet at the Commonwealth level.

**CHAIR**—Is that a stand-alone role, a new position just on this issue?

**Mr Leeper**—Just on this issue.

**CHAIR**—At what level? I am sorry, Mr Jagers, I would not normally go into this level of detail with you sitting there.

**Mr Leeper**—We will not talk about pay, but it is a band 2, group manager level.

**CHAIR**—So it is a senior position.

**Mr Leeper**—A senior position. At the Commonwealth level there is our coordinator who works with Prime Minister and Cabinet coordinator. There are also coordinators, I understand, in the education and employment department, environment and infrastructure—

**CHAIR**—Any of the core agencies will have their own feeding into the job.

**Mr Leeper**—Yes. Mr Jagers will then relate to in each state jurisdiction a coordinator for the housing function. Those people will in turn relate to a state coordinator-general, who will relate to Mr Mrdak. That is why it is a bit of a square.

**CHAIR**—So the overall reporting and accountability for this program will be done through FaHCSIA through the position that Mr Jagers is owning now.

**Mr Leeper**—Yes.

**Senator HUMPHRIES**—Is there a limit on the number of dwellings that might be developed or acquired in any one location under this program?

**Mr Leeper**—The guidance we have given in the national partnership agreement certainly leads to a view that, if I can use the term salt and pepper arrangements will be preferred rather than broadacre. We are not interested in this package resulting in 200 social housing dwellings being put in a single location. We are much more interested in buying 10, 15 or 20 per cent of a larger development, be that multiunit or detached housing, which are for social housing purposes, to sprinkle, so to speak, the social housing more appropriately and equally. Some of our broad objectives in the package are to make sure that we meet transport, employment and other objectives as well as providing people with safe housing outcomes. So we are interested very much in having these new dwellings put in places where to the maximum extent possible people have good access to transport, education and social and economic opportunities. That does imply that we will be basically infilling or buying proportions of broadacre estates rather than settling large numbers of people in a particular area and having a part of a suburb which is purely public housing, social housing.

**CHAIR**—Because Senator Humphries has many questions, we will go to Senator Ludlum and see what questions he has and then see what time we have.

**Senator LUDLAM**—Thank you, Chair. One of my questions has already been asked so I will carry on in that vein. Where are the measures that you just referred to set down? Is that in this schedule?

**Mr Leeper**—Yes. It is in schedule C of the national partnership.

**Senator LUDLAM**—Is that still under development?

**Mr Leeper**—No. It has been signed by the Prime Minister and the chief ministers, so it is an operating document.

**Senator LUDLAM**—Are they public documents?

**Mr Leeper**—Yes. You can get that from [coag.gov.au](http://coag.gov.au). It is on the website.

**Senator LUDLAM**—Can you talk a little more about how they will operate with particular reference to how the Commonwealth wants to improve energy and water efficiency and the sort of location issues that you were describing just before.

**Mr Leeper**—Certainly. We described this a bit for Senator Brown on Friday. We would like the states to put proposals to us to get access to their per capita share of the funding. There are a number of broad assessment criteria that were set out in paragraph C18. There are seven of them but two of them are particularly relevant here. One is that we want the states to indicate the degree to which the dwellings they are proposing—and not every dwelling will need all of these criteria—would adhere to universal design principles so that they are suitable for people with disabilities and for older people, and, separately, the extent that the constructed dwellings are environmentally sustainable. On Friday, Senator Brown wanted to know why we had not been more prescriptive than that. My answer then and still is that the outcome we want to get to is environmentally sustainable. We then step back out of the way and let the states work out how best to take that forward. We have confirmed—and I did include that in our answers—that we were advised that all of the

states do achieve five-star energy ratings for newly constructed dwellings, although I will note in passing that Mr Silberberg suggested that two of the jurisdictions were not quite there yet. That might be a slight error in our response and I apologise for that. To go beyond that and attempt to overly proscribe how the states might do this is not consistent with the general COAG framework, in which the Commonwealth states the outcomes we are trying to get to and the states are then given some freedom to choose how they will achieve them.

**Senator LUDLAM**—Okay, but it is not benchmarked against any particular standard. You are just falling back on the building code, presumably.

**Mr Leeper**—Yes.

**Senator LUDLAM**—For example, just to mandate an environmentally sustainable house would be a zero-carbon house, and obviously we are a long way from that, even with five stars.

**Ms Winzar**—That is correct.

**Senator LUDLAM**—How are you benchmarking the location issues in terms of access to transport, public transport, jobs, services and so on?

**Ms Winzar**—We have the final say on the funding, so when states put their proposals together with developers and so on, we will ask them a series of questions, including things like proximity to public transport, universal design principles, the energy dimensions of the house and so on. We will scrutinise that and make sure that they meet our objectives, which is accessible to opportunities.

**Senator LUDLAM**—What are your reporting obligations in terms of recording and reporting how satisfied you are with whether those targets are being met?

**Ms Winzar**—With regard to our reporting obligations, beyond the requirement to give our ministers a monthly report on progress against this package, we have not got down to that level of detail in terms of specifying particular performance indicators that we would report against, but we will be doing that work over the next month or six weeks or so.

**Senator LUDLAM**—So you will get to those. Will they be public documents once they are being produced?

**Mr Leeper**—I do not know.

**Ms Winzar**—I have not turned my mind to that. I think that would be a matter for government. Certainly I think that there cannot be too much difficulty with the locations and the style of dwellings.

**Senator LUDLAM**—We would hope that it would not be too sensitive; it is just whether or not the public or parliament can get a sense of whether it is meeting your expectations.

**Ms Winzar**—Sure.

**Senator LUDLAM**—We heard from the Community Housing Federation on the issue that sprung up last year regarding tax. Charitable tax status for community housing organisations is back with us. What progress has been made over the last couple of months to have that resolved properly?

**Mr Leeper**—I would say two things. One is that in the context of the National Rental Affordability Scheme, government made the decision that was announced prior to Christmas that rounds 1 and 2 of the scheme would be constructed and delivered in such a way that the charitable status of organisations bidding for those would be protected and respected for the first two rounds. Secondly, I think the broader issue of the existence of charitable status organisations and their ability to play in a space, as it were, where they might be seen to be delivering quasi-commercial services—for example, housing—is a matter, I understand, which is likely to be considered by the Henry tax review that is running through the course of this year.

**Senator LUDLAM**—I am not sure if you were in the room before, but we did take evidence from the Community Housing Federation that that is too late—that actually we cannot afford to wait for something to fall out of the Henry review. So I am just wondering whether you are aware of any more interim measures that would help us out in the short term.

**Mr Leeper**—I am certainly aware of the issue and therefore, being aware of the issue, I have an obligation to do some work on it. But I cannot indicate further at this point any further progress, I am sorry.

**Senator LUDLAM**—All right, but we did hear this morning that it is a serious issue that has quite short-term repercussions for organisations seeking to be part of this program.

**Ms Winzar**—Just by way of clarification on that, our expectation is that most, if not all, of these 20,000 extra dwellings funded under this package would go to people who are currently on the public housing waiting list. We would therefore expect that they would be at the very lower end of the income spectrum. I think, therefore, that that poses much less of a problem for community housing organisations in terms of their charitable status—because there is no question of them drawing a large proportion of their income from people who the tax office might regard as not being a charitable objective.

**Senator LUDLAM**—I think that was left as something of an open question last year, so I am just taking advice from the sector and the organisations that are most directly affected that they do not believe it is a settled question. I might leave it there.

**Senator CAROL BROWN**—On the question of the location of houses being near transport and services, and the process you describe, will that be the same process that you used to ensure the social mix objectives are met?

**Mr Leeper**—Yes, it would be.

**Senator HUMPHRIES**—The spot purchase process will be used, as I understand it, in a default situation where there is some failure of the other processes to deliver housing in a particular way or a particular location. I understand that there is the danger that spot purchasing, particularly if it is intensive, can affect the price or value of other housing in the area. Does the Commonwealth expect to take that into account as it is making those decisions, so as not to drive up the cost of housing to others in that area?

**Mr Leeper**—With spot purchasing we would have two broad objectives. One is that it would be part of the battery of responses, as it were, that would let us get this package rolled out as quickly as possible. So, rather than just relying on the states' own government construction efforts, spot purchasing is another way in which we can leverage the capacity of the private sector to deliver. I have also clearly indicated that our objective would be to make sure that any spot purchases were consistent with social mix objectives and, I think, on that basis we are talking 10 to 15 to 20 per cent. I do not think they would be likely to affect established or new house prices. We are talking about a sector that has some spare capacity and significant economic challenges, so I would be hoping that the states, on our behalf, can drive some good bargains here around some of these developments as well.

**Senator HUMPHRIES**—Despite being the Department of Housing, you do not, at the moment, actually deliver any housing, do you? You are a post box for the states. So, if you are in the business of spot purchasing, will you need to import a level of market expertise you do not presently have, to be able to—

**Mr Leeper**—Sorry, let me clarify my evidence. The Commonwealth will not be making the spot purchases. We would be saying to the states, 'When you come back to us with proposals to spend the \$5.3 billion, one of the responses we would be expecting to see is your preparedness to spot purchase in relevant locations.' The states will actually do that work.

**Senator HUMPHRIES**—Okay, but you will be able to specify where, and exercise the sort of controls you have just been talking about?

**Mr Leeper**—Yes. Spot purchasing and purchasing off the plan are things that we want the states to come back with us with responses on, because it gives us the fastest and broadest based response that we can get.

**Senator HUMPHRIES**—What information and disclosure will be provided to existing owners and prospective purchasers of house and land packages in new and existing private residential estates about the purchase of the packages for public housing purposes by any agency acting on behalf of the program?

**Mr Leeper**—I think that would be a matter for the individual jurisdictions. From talking to some of our state colleagues last week, I know they are not aware of any situations where spot purchasing of house and land packages for public or social housing purposes has caused any particular issues, provided the proportions are relatively low. I think one jurisdiction talked about a recent estate which is 50 per cent social housing and 50 per cent private housing and said that the process had run well and without any objections. We are not talking about 50 per cent; we are talking about probably 15 to 20 per cent, but I think that consultation issue, if there was one, would be a matter for the state or territory concerned to manage.

**Senator HUMPHRIES**—All right, but you would be aware there have certainly been issues about location and type of public housing in the past. Using the salt and pepper approach you referred to before is sometimes a sensitive issue in communities. Would you expect that existing home owners in a particular area would have any rights to be consulted or to lodge an objection to particular spot-purchasing decisions over public housing?

**Mr Leeper**—The only response I could give you there would be to say that those rights would be the ones provided under established development approval processes. That would be a matter for state and local government authorities.

**Senator HUMPHRIES**—Can you give me more information about the role of community housing and other not-for-profit organisations in the delivery of the 20,000 new public housing dwellings? We were told earlier today that it was expected that some kind of notional target would be set as to what proportion of the 20,000 would be delivered by organisations other than state housing authorities. Is there a target and what is it?

**Ms Winzar**—We have not set an explicit target. I think Mr Pisarski mentioned that we had had a briefing session with him and some others yesterday. He made the reference to being advised that it was expected that roughly 25 per cent of the stock would be taken up by community housing. In fact, he had it quite the wrong way round. Our hope is that, through this package, perhaps 75 per cent of the stock will eventually transfer to community housing ownership, and I say ‘eventually’ because the question foremost in our minds at the moment is speed to market. We believe that we will need to deliver through the public housing authorities in each state and territory but we are very conscious that we will need to design some processes to ensure that that stock gets passed across to the ownership of community housing organisations and we have communicated that to state and territory officials.

**Senator HUMPHRIES**—So that would be an explicit target, once it was set, for state housing authorities to have to meet and would be a condition of funding?

**Ms Winzar**—Whether or not we make it an explicit condition of funding has not been determined yet, but certainly it is our expectation that something of the order of three-quarters of this housing stock would be in the ownership of community housing organisations.

**Senator HUMPHRIES**—As far as I am aware, nothing like 75 per cent of existing social housing stock is in the hands of such organisations.

**Ms Winzar**—That is correct.

**Mr Leeper**—It is about 22,000 units out of around 380,000 or so.

**Senator HUMPHRIES**—That is a very substantial shift. Do the state and territory governments support that shift?

**Ms Winzar**—They do, but I must say that one of the reasons why we do not want to set an explicit target is that the capacity of the community housing sector varies state by state. In some cases, there will not be immediate candidate community housing organisations who could ramp up very quickly to take on responsibility for a significant increase in stock. In other jurisdictions there would be plenty of community housing organisations willing and able to do so quite quickly.

**Senator HUMPHRIES**—What is the reason for wanting to engineer that shift from public housing to community housing, if I can use that expression?

**Mr Leeper**—Initially we would like to diversify the provider base. If you look overseas the UK, notwithstanding the current challenges, has done extraordinarily well in producing a vibrant and reasonably well-resourced community housing sector. Some of the providers have got 50,000 and 60,000 dwellings under management. So there is an opportunity to increase the range of potential providers. A number of the community housing organisations and not-for-profit housing organisations of which we are aware are prepared to use the value of their balance sheets as debt equity, subject to financial approvals, to further boost the supply of social housing. So it is a way of leveraging the Commonwealth’s investment. At this point I am not aware that the states and territories are allowed, under their government arrangements, or are prepared to leverage their balance sheets in that way; whereas a number of the community housing providers have indicated quite clearly to us that if we can add to their balance sheets we will get a second-round effect because they will then borrow against that value to improve further the number of social housing dwellings that they have under management.

**Senator HUMPHRIES**—In general, is the housing that is controlled by the community housing sector actually owned by them or is it administered?

**Mr Leeper**—It depends. A number of the sites are managed by community housing providers on behalf of the state. However, even where title has been transferred to the community housing organisation there is a lien put on that transfer of title so that, if the housing organisation were to go under, the title would transfer back to

the state. That is a condition that we would insist upon. So there is sensible prudential management around the asset in the event that a community housing organisation goes out of business.

**Senator HUMPHRIES**—Do you have evidence that there is any better value for money by having that housing administered by or delivered by the community housing organisations as opposed to state housing authorities?

**Mr Leeper**—That is a very difficult question, Senator.

**Ms Winzar**—Senator, I think some of the evidence earlier today was that the public housing authorities build their stock in a more robust way to meet the needs of particular clients, and with a longer life span. I cannot remember if it was Mr Pisarski or not. So I do not know that it is immediately possible to compare the efficiency in the sense of recurrent costs of community housing versus public housing organisations. Their tenant mix is a little different, their stock age will be different, their income profile of tenants and so on will be different. It does vary.

**CHAIR**—Senator, is there any particular urgent question you want to get through before we finish?

**Senator HUMPHRIES**—I will ask one more question. There was the white paper on homelessness which injected \$400 million over two financial years to address homelessness. Is any of that money overlapping with the money in this package?

**Ms Winzar**—No. The \$400 million Commonwealth investment into the partnership agreement on homelessness to support the white paper is intended to be focused on service provision and would directly complement the capital investment through the social housing investment and through this economic stimulus package.

**CHAIR**—Ms Winzar, on the previous issue about the comparison of how different areas provide their housing, would it be right to say that, under the new benchmarking arrangements that will exist from now on, on this particular element it would be easier to compare in terms of how things are going than it has been in the past?

**Ms Winzar**—That is our objective.

**CHAIR**—In terms of being this kind of benchmarking into the whole area. First of all in this area, where it is actually stated, but then hopefully this kind of examination across the whole portfolio.

**Ms Winzar**—Yes.

**CHAIR**—Are there any further questions before we wrap up? Thank you very much. We do appreciate your returning here. The expectation is that the report will be at 7.31 pm this evening.

**Committee adjourned at 11.34 am**