Additional information received from Dr Julie Lawson

I am the lead author of a report which has been extensively referred to in different written and verbal submissions to this Inquiry. Various interpretations of this evidence have been made by participants. It has been brought to my attention the evidence of the report may have been misinterpreted by some advocates. To ensure accuracy, please refer to the original peer reviewed report and published source. The full report, executive summary and policy evidence summary can all be found here: https://www.ahuri.edu.au/research/final-reports/306.

One of the submissions by David Kelly, Porter et al has surmised our work partly incorrectly:

"The research examines five investment pathways and shows that the 'capital grant' model, supplemented by efficient financing, provides the most cost-effective pathway for Australia – put simply, direct cash investment by federal government for state housing authorities to build public housing."

This latter section in red and underlined was not a conclusion of our report, but it has been repeated by advocates Anti Poverty coalition and apparently quoted in the Hansard.

Our report certainly supports the efficiency of capital grants and long term financing - but for all forms of non profit social housing, be it public or private. Multi provider social housing systems are common in Europe and very successful in Austria and Finland. Unfortunately, Australia seems to have grown a competitive culture of one or the other, which is not necessary at all.

Our report's conclusions with regards to this point and in the report are as follows:

"Five alternative pathways involving a range of debt, efficient financing and capital grant strategies have been modelled to assess their relative costs to government. The research shows the 'capital grant' model, supplemented by efficient financing, provides the most cost effective pathway for Australia—in preference to the 'no capital grant, commercial financing operating subsidy' model." Lawson et al, 2018:1

"Australia's limited social housing is tightly targeted and its market share is declining. A range of investment pathways have been pursued in recent years, including contracting out services, off balance sheet debt via Community Housing Organisations (CHOs), re-investment via densification, asset sales and internal cross-subsidisation. These strategies have extracted value from the public estate and have not generated sufficient social housing units to address Australia's growing need. Moving forward, a more sustainable pathway is required in order to grow and improve social housing stock. Australia can learn from national and international experience of more productive value building approaches." Lawson et al, 2018:2

Our "research provides up-to-date data on land and construction costs across Australia. Productive social housing systems use a range of instruments to ensure supply outcomes, necessarily including the investment of public equity and not-for-profit delivery. Demand side subsidies alone cannot increase supply and are particularly ineffective where provision is for profit, rents are deregulated and vacancies are low. Thirdly, productive social housing systems use efficient financing, as this reduces pressure on service charges and related assistance and ultimately reduces the cost burden on all taxpayers. Greater transparency in comparing the cost of capital is vital to help policy makers and program designers determine the ideal mix of funding and financing that should be used to address Australia's social housing deficit." Lawson et al, 2018:2-3

“The more direct pathway of capital grants and efficient NHFIC financing has greater capacity than operating subsidies to ensure the supply and quality of housing outcomes delivered. Conditional investment can be made from a range of sources—general government revenue, public investment, contributions from public land banks and planning contributions—to ensure secure, affordable social housing outcomes commensurate with Australian needs.” Lawson et al, 2018:7

However, we do raise concerns regarding the current regulation of not for profit social housing in Australia, operating models are not well defined or effectively audited, unlike in other countries. A wide range of for profit models have also entered the scene and pushing the boundaries of good practice and are overly complex and costly for key stakeholders. We have examined these in detail for the Victorian regulatory review (see below).

“Australia currently lacks a fully-realised national regulatory system for a more diverse not-for profit sector, with participation by some but not all states. For-profit rental providers are willing to support build-to-rent housing and contract CHOs to manage affordable units. Some are now establishing their own CHOs. Regulatory reporting has failed to keep pace with newer financing and delivery arrangements. The not-for-profit housing industry recognises this and has called for more robust Australian Government engagement in driving National Regulatory reform.”

Victoria has a good regulatory system that is trying to be better, but there too many models and some are becoming very complex, such as ground lease PPPs. Victoria did undertake an extensive review of its own regulatory system in 2022 - https://engage.vic.gov.au/social-housing-regulation-review. We contributed to this review, including a comparison on 7 investment models which have organically emerged, in the following report on Options for Regulating for Good Growth: https://engage.vic.gov.au/download/document/25923.

Several European systems have more effective policy, financing and regulatory arrangements, and these can be found in Finland, Denmark, the Netherlands and Austria. They are not only growing they have proven to be very resilient too. I wrote the UN report #Housing2030 (2021) which features these.

With my AHURI colleagues we are currently drafting a report on the requirements of Australia’s national housing strategy. The draft report refers to best international practices in national housing agencies, intergovernmental multi-level agreements, financing arrangements and regulatory practices.

In particular, I would like to draw your attention to the following:
https://www.housingeurope.eu/resource-1651/cost-based-social-rental-housing-in-europe

> The key point is that the entities, either public or private, should operate on a well prescribed non profit basis, and are effectively regulated to sustain the social value and public policy purpose of any public investment made in them for the longer term. This is not assured in the current national regulation NRSCH. The recent pursuit of Availability Payment models by for profit partners in PPP arrangements is overly costly, complex and ultimately unsustainable. Successful overseas systems do not use these approaches as they are too costly for governments in the medium to long run and more direct approaches are also more effective in shaping better outcomes.

The AHURI 2018 and research for the Victorian review Lawson, Milligan and Davies 2022 and Lawson and a Davies 2021 for the Victorian review of regulation make this point very clearly. See the contrast between the two models in the Lawson Milligan Davies report, 2022.