

## **Submission: Inquiry into the Housing Australia Future Fund 2023 [2] package of bills**

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### **Summary**

I thank the Committee for inviting me to make a submission to this inquiry. I wish to address both the Housing Australia Future Fund bills and the broader issue of housing availability in Australia, with a particular focus on the potential constraints imposed by competing investments in infrastructure and defence equipment. My recommendations are as follows

**1. The HAFF bills should be passed**

**2. Housing shortages are likely to remain a chronic problem for Australia. To the extent that competing investments “create jobs”, these jobs are in reality being diverted from housing construction. Such job diversion is undesirable.**

## **Submission: Inquiry into the Housing Australia Future Fund 2023 [2] package of bills**

I thank the Committee for inviting me to make a submission to this inquiry. I now present a more detailed statement of the reasons for my recommendations.

### **1. The HAFF bills should be passed**

I have previously submitted an assessment of the Housing Australia Future Fund proposal (appended). My view that the the proposal is an unnecessarily complicated and non-transparent way of funding a relatively small amount of expenditure on social housing remains unchanged.

Nevertheless, I urge the Committee to support the passage of this legislation for the following reasons

- \* The offer of a guaranteed minimum expenditure of \$500 million removes the biggest objection to the funding mechanism, namely that available funds would be limited by the returns on investments

- \* Additional announcements made by the Commonwealth Government and National Cabinet have greatly increased total public spending commitments for housing. In this context, the HAFF proposal, while inadequate in itself, can be seen as one contribution to a larger program

- \* Although I have no special expertise in making political judgements, it seems unlikely that further delay will lead to significant improvements in the bill, and there is some risk that the spending proposed will not be undertaken.

I therefore urge the Committee to support passage of the legislation.



**2. Housing shortages are likely to remain a chronic problem for Australia. To the extent that competing investments “create jobs”, these jobs are in reality being diverted from housing construction. Such job diversion is undesirable.**

Addressing Australia’s housing crisis will require a substantial acceleration of housing construction, and particularly large-scale investment in social housing. Most discussion around the HAFF legislation has focused on financing issues. But constraints on the availability of skilled workers represent a more fundamental problem.

At all times in recent decades, Australia has suffered from a chronic shortage of skilled trades workers. Even in the immediate aftermath of the Global Financial Crisis, the shortage was sufficiently acute to justify the creation of a A \$200 million Critical Skills Investment Fund to tackle immediate skills shortages in the mining, construction, renewable energy and infrastructure sectors. (DEEWR Annual Report 2009-10).

In this circumstances, the idea that public and private construction projects ‘create jobs’ for trades workers is nonsensical. In the terminology of trade policy, employment in new projects represents job diversion rather than job creation. The more workers employed in these projects, the fewer can be employed in building additional housing.

This does not, of course, mean that we should not invest in infrastructure and other projects. But, to the extent that such projects are justified on the grounds of job creation, rather than on a clear assessment of benefits and costs, they should be viewed with suspicion. The diversion of workers from vitally needed home construction is a cost, not a benefit.

In this context, proposals for sports stadiums are of particular concern. Examples include the demolition and rebuilding of the Allianz stadium in Sydney, the proposed replacement of the Gabba in Brisbane and proposed new stadiums in Hobart and Adelaide. Claims about the benefits to be derived from these projects have mostly been presented in vague and general terms: to the extent that a business case has been presented, it rarely stands up to even casual scrutiny. In the absence of concrete benefits, all of these proposals have been justified, at least in part, as measures to create jobs.

The same points may be made with respect to the AUKUS submarine project. Prior to the announcement of the project, the acquisition of nuclear-powered submarines was not generally seen as a priority for Australia's defence budget. Subsequent to the announcement, the strategic rationale for the project has not been presented to the public in any detail. By contrast, the Prime Minister and other ministers have repeatedly stressed the number of jobs that will be 'created'. If the project is indeed essential for our national defence, the diversion of workers from other crucial objectives is a regrettable necessity. It should not be presented as a benefit of the project.

Not all the skills required for submarine construction are the same as those required for the housing industry. But in the medium term, expanding demand in one area of skilled trade work can only come at the expense of others. Indeed, the Prime Minister has announced plans for special training programs for the workers required for the submarine project. That training could equally be directed

I conclude with the observation that the opportunity cost of something is what you must give up to get it. In the case of stadiums and submarines, that something is adequate housing for all Australians.