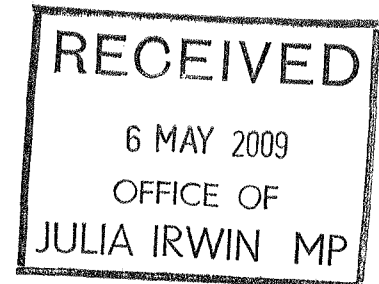


**The Hon Tanya Plibersek MP
Minister for Housing
Minister for the Status of Women**

MC08-033166

Mrs Julia Irwin MP
Chair
House of Representatives Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600



Dear Mrs Irwin

Thank you for your letter of 29 October 2008 to the Minister for Families, Housing, Community Services and Indigenous Affairs, the Hon Jenny Macklin MP about the Rent Assistance petition received by the House of Representatives Standing Committee on Petitions. As Rent Assistance is in my area of responsibility, I am replying. I apologise for the lengthy delay in responding. Please extend my apologies to the Committee.

As you know, Rent Assistance is a non-taxable income supplement payable to eligible Australian residents who rent accommodation in the private rental market. In order to receive Rent Assistance, a customer must:

- qualify for a social security income support payment; or
- qualify for more than the base rate of Family Tax Benefit A; or
- qualify for a service pension; and
- must pay a minimum amount of rent, called the rent threshold.

Rent Assistance is then paid at the rate of 75 cents for each dollar above the rent threshold up to a maximum rate. Rent Assistance rates are based on a customer's family situation and the amount of rent they pay. Rent Assistance thresholds and maximum rates are reviewed every March and September in line with the cost of living.

The Australian Government is very concerned about significant increases in rents in many parts of Australia. Rapid rent increases are happening mainly because there is a shortage of homes to rent. Vacancy rates are at or below 2 per cent in most capital cities, which is below what economists say is needed for a healthy market. While increasing Rent Assistance would provide additional assistance to eligible customers, it is only a short term solution because it does not address housing supply problems. There is also a significant risk that landlords may in turn increase rents, as the lack of supply reduces effective choice for low and middle income renters.

The real solution is structural - we need to increase the number of affordable rental properties on the market. The Australian Government recognises that current market forces are insufficient to lift construction rates at the low end of the market, and that we have a significant legacy problem from the former government, resulting from inadequate policy and funding in regard to affordable housing.

As you know, the Rudd Government has committed more than \$7.5 billion in new funding to build affordable housing, including accommodation for people who are homeless. This includes capital funding to build 20,000 new public and community housing dwellings as part of the Nation Building and Jobs Plan, and \$400 million under the Social Housing National Partnership Agreement for up to 2,100 new public and community housing dwellings.

In addition, the establishment of the National Rental Affordability Scheme (NRAS) will see 50,000 affordable rental homes built over the next four years. NRAS homes are available to people relying on social security payments such as aged and disability pensioners and Newstart recipients, as well as working people earning moderate incomes. All of these properties are required to be rented at below market rates (20 per cent reduction off the market rate), and renters will remain eligible for Rent Assistance.

For example, if the market rate for a three bedroom house is \$400 a week, a three bedroom house built under the National Rental Affordability Scheme will be rented at \$320 a week, to tenants who need affordable housing. Tenants may also be eligible for Rent Assistance – making the homes even more affordable.

The Scheme works by giving institutional investors and housing providers a financial incentive to invest in affordable rental homes over the next four years.

The first round of allocation will build 2,800 homes across the country. People have already moved into more than 150 homes with almost 700 more becoming available before 30 June 2009. Thousands more properties will become available over the next 18 months.

The incentives that are being offered as part of the first round of this important initiative will help to build a range of different dwellings – apartments, townhouses and houses. This will ensure the accommodation needs of families, key workers, seniors and other low income households are better catered for.

The Government is optimistic that the implementation of these initiatives will provide some relief to the pressure that currently exists in the private rental market.

Once again, thank you for writing.

Yours sincerely

Tanya Plibersek

23.4.09