

Inquiry into the Nation Building and Jobs Plan

Coalition Senators' Dissenting Report

A LEAP OF FAITH

Social housing elements of the Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009

Summary

Coalition senators welcome the intention manifest in this legislation to increase housing choices for Australians. They acknowledge that social housing is an important component in any housing strategy, that there is insufficient social housing stock in Australia today and that this legislation takes some step towards remedying that dearth.

Good intentions however are not the basis on which a legislative package of this size should be judged. The provision of up to \$6 billion to the states and territories for the building of 20,000 new dwellings pursuant under this Commonwealth Social Housing Initiative represents a positive step, but there are simply too many unanswered questions and missed opportunities inherent in this package for it to win the support of Coalition senators.

In particular, it is noted that the \$6.4 billion package depends heavily – at least at the early stages – on the efficient delivery capacity of the state and territory public housing authorities, but evidence is scant that these authorities are equipped to properly deliver this huge additional investment. Indeed, the record of these authorities in delivering high quality and timely outcomes could generally be described as woeful, and as such the placing of so much emphasis on them for delivery of this package represents a substantial risk to taxpayers' money.

Coalition Senators are also concerned that much of the evidence presented to this all-too-short inquiry focused on the benefits of this package as a *social housing program*, rather than as a *fiscal stimulus measure*, the announced intention of the Government. The enthusiasm of stakeholders in the housing sector for the commitment of such a large amount of money is understandable; the Senate, however, has a higher duty to ensure that this investment is not only good for the construction industry, but good for the economy as a whole and that it represents the best possible value for money.

Coalition Senators strongly doubt the Commonwealth Social Housing Initiative meets this larger test.

The following paragraphs explore areas of concern arising from the hearings on 10 February.

Excessive Reliance on Public Housing Authorities

A number of witnesses made reference to concerns about the performance of state and territory public housing authorities. The Community Housing Federation of Australia acknowledged that its members had experienced "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".¹ Ms Croce added

I do share your concern about the problems that have arisen in the past with the state housing authorities...²

The Master Builders Association criticised the state authorities in these terms:

Mr Harnisch—...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... 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.³

The Housing Industry Association was concerned about the procurement practices of the state authorities:

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... 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...

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.⁴

Coalition senators are aware of many criticisms on the ground of the efficiency of these same authorities. Accordingly they strongly doubt that they should be relied upon so heavily to deliver the costly and far-reaching targets in this package.

Moreover, Coalition senators believe that the Commonwealth has, with its fiscal stimulus package, missed a major opportunity to drive reform of the social housing delivery mechanism and to more closely engage the states and territories in a process to ramp up best practice.

¹ Hansard, 10th February 2009 – CA 19

² Hansard, 10th February 2009 – CA 14

³ Hansard, 10th February 2009 –CA 19

⁴ Hansard, 10th February 2009 –CA 19

Although details were provided of some conditions which would be attached to the provision of Commonwealth money, particularly around greater transparency, the overwhelming impression is of the states being merely the delivery mechanism, on their own terms, of the Commonwealth's money rather than partners in a process of change and growth for this sector.

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...⁵

Is the Package a Fiscal Stimulus Measure or a Social Housing Measure?

Witnesses repeatedly emphasised the value of the package for capacity building in the social housing sector⁶ yet there was little evidence of the comparative value of these measures against other possible stimuli to the construction industry. Coalition senators believe that incentives for the purchase and construction of private residential homes (eg by reducing state government land charges) may constitute a stronger dollar-for-dollar stimulus than the kind of investment contemplated in the Commonwealth Social Housing Initiative.

Evidence of alternative strategies was of course not available to the Committee. Coalition senators are strongly of the view that a thorough investigation of possible alternatives, judged on their comparative multiplier benefit to the economy, would have been a worth while and potentially cost saving exercise to have engaged in before this legislation was brought forward. Again, this is not to derogate the worthiness of investing in the quantity of social housing stock; as a device to maximise economic activity it may however be a second rate option.

A Disturbing Lack of Detail

Coalition Senators were alarmed at the absence of a number of crucial indicators of the capacity of state and territory authorities to roll out this package. The Committee was unable to secure the following information about the projected performance of the Commonwealth Social Housing Initiative:

- How many dwellings would be delivered in each state/territory;
- How dwelling numbers would be distributed between different regions of each state/territory;

⁵ Hansard, 10th February 2009 –CA 30

⁶ eg Ms Croce, Hansard, 10th February 2009–CA 11

- How many dwellings were delivered in the last year, or five years, by any of the states and territories;
- The average cost of construction per social housing dwelling for any state or territory;
- The average completion time for construction of those dwellings; or
- How many dwellings would be delivered by the National Affordable Housing Agreement over the next five years.

In addition, the precise mechanism whereby states and territories would be prevented from substituting Commonwealth dollars for spending on their own anticipated housing projects was not outlined to the Committee. The Committee was told that states could sell houses built using money provided by the Commonwealth under this Initiative during the life of the Initiative, but details of how the value and quality of total public housing stock would nonetheless be maintained could not be provided.

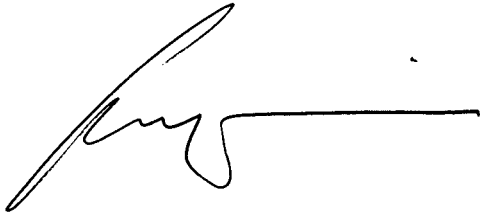
All this concerns Coalition senators. They believe that an investment of this size warrants a substantial degree of oversight and accountability, but much of the detail of those elements was simply not available to the Committee. The lack of past performance against the goals set, for example, for the Commonwealth State Housing Agreement does not bode well for accountability and transparency in this instance.

Conclusion

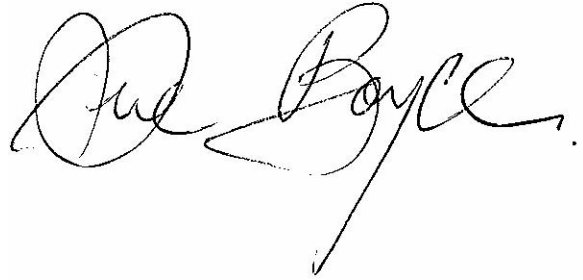
Passing the Commonwealth Social Housing Initiative into law represents a leap of faith by the Senate. At \$6 billion it constitutes an enormous opportunity... and an enormous risk that the taxpayers' outlay will not achieve a good return. Coalition senators can appreciate the potential value to the construction industry and to the social housing sector of this package, but they cannot in good conscience support it if its provisions are not adequately explained, if state and territories are not to be held accountable and the alternatives to it, as a fiscal stimulus measure, have not adequately been explored.

Recommendation

Coalition senators recommend that the provisions of the Appropriation (Nation Building and Jobs) Bill (No.2) 2008-2009 relating to the social housing program not be passed.

A handwritten signature in black ink, appearing to read 'Gary Humphries', with a long horizontal stroke extending to the right.

SENATOR GARY HUMPHRIES

A handwritten signature in black ink, appearing to read 'Sue Boyce', with a large loop at the beginning and a long diagonal stroke at the end.

SENATOR SUE BOYCE

