

Senate Select Committee on Housing Affordability in Australia

7th April 2008

Submission by the "Pilbara Area Consultative Committee" (PACC)

1. Witnesses:

- | | | |
|-----------------------|----------------------------|-----------------|
| • Ms Gloria Jacob | Deputy Chair | 25 yrs resident |
| • Mr Gary Slee | Board Member and Treasurer | 29 yrs resident |
| • Ms Collene Longmore | Executive Officer | 13 yrs resident |

2. Scope of PACC:

- Not-for profit organisation
- Activities though the Pilbara region
- Regional board representation
- Facilitating funding grants, events, community projects and leadership

3. Barriers to Home Ownership (a Pilbara perspective):

- **the taxes and levies imposed by state and territory governments:**
 - state government stamp duty on housing purchases decreases affordability
- **the rate of release of new land by state and territory governments:**
 - what governments need to do is foster a significant increase in the rate of release of new housing land to minimize inflating costs and decreasing affordability. How? ... see below for some comments.
- **proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply:**

- this could inflate house prices in a high demand environment and thereby decreasing affordability
- **the role of all levels of government in facilitating affordable home ownership:**
 - housing demand (over supply) is significantly controlled by the high level of government regulatory frameworks and processes (release of land, development and construction design criteria, timelines, levies etc – red tape)
 - what governments have ... is the discretion to reduce housing demand and to increase affordability.
 - how governments use their discretion is the key question in essence governments have no choice but to take the lead role – particularly state governments (having the primary legislative powers over land use)
- **the effect on the market of government intervention in the housing market including planning and industrial relations laws:**
 - depends on what governments propose – governments are already major interventionists
 - possibly more intervention means higher demand and less affordability – governments should consider taking away some intervention – see point above.
 - we would suggest
 - there is an abundance of economic resources and innovative ideas “out there” that would solve housing availability and affordability ... depending on how governments choose to act.
 - the Australian public would support strong innovative leadership by governments even if some non-fatal mistakes were made.
 - if the government wants to intervene, then possibly it should be in sponsoring affordable community partnership housing ownership and rental schemes that increased supply.
 - governments review their respective policies, regulatory frameworks and processes to determine what can be changed or taken away to achieve an affordable housing environment.
- **the role of financial institutions in lending:**
 - assuming there is adequate competition and pricing of risk, there should be little problem.
 - should governments wish to subsidise lending (interest or principal), this could inflate house prices in a high demand environment.

- financial and superannuation institutions could play a part in affordable community partnership housing ownership and rental schemes.
- **the contribution of home ownership to retirement incomes:**
 - retirement incomes are cash flow driven with incomes being earned from investments or government welfare.
 - generally home ownership is not an income producing asset and therefore in itself would not add to retirement incomes. Financial instruments such as “reverse mortgages” could add to retirement incomes however these tools must be used prudently.
 - higher value housing may detract from retirement incomes though higher property costs as compared to lower value housing.
 - down shifting in housing could add to retirement incomes.

4. Housing Affordability in the Pilbara:

- Crisis situation in the Pilbara concerning housing availability and affordability – severely impacting all levels of the communities and business activities.
- Housing affordability is a reflection of:
 - **housing availability** – massive supply / demand gap – driven by resource boom – multi billion dollar development projects with large employee / contractor numbers and tight deadlines force feeding people into the Pilbara creating this massive demand for:
 - existing and new accommodation, permanent and temporary, legal and illegal.
 - permanent accommodation (houses, flats, apartments, bed sits, plexs, units, hotels, caravan parks)
 - temporary accommodation (caravans, cabins, dongas, tents etc behind houses, on industrial blocks and in the bush; plus transient villages and fly camps)
 - bed packing – pushing as many people as possible into units of accommodation.
 - bed sharing (hot bedding) – anecdotal evidence of isolated incidents to date.
 - **land development costs and timelines** – predominate developer is Landcorp (a government profit making entity) – very few private

- developers to provide competition – government criteria and processing times add to costs.
- **house construction costs and timelines** – material cost increases, labour shortages, remuneration increases, government design criteria, government processing times and occupier expectations (quality) pushing up construction costs. Some organisations are prescribing higher levels of occupation safety and health in design and construction practices.
 - **development profits** – increased land and housing costs result in increased dollar profit margins which further pushes up the final cost.
- Availability and affordability
 - arguably the two most significant constraints in community and economic development in the Pilbara.
 - adversely affects individuals and organisations in different ways
 - individuals - employed, self employed, unemployed, business travelers, visitors, indigenous, retired.
 - organisations – micro, small, medium, large, business, government, not-for-profit.
 - major resource companies – constrained by the availability factor - affordability is not really an issue
 - individuals and other organisations - constrained by both the availability and affordability factors.
 - Causes
 - state government controls the regulatory framework and processes in land release and development – it did not take leadership when indicators over the past three years showed problems emerging and in spite of abundant advice from regional departments, local governments, resource companies, local organisations and individuals.
 - state government (though Landcorp and Department of Planning & Infrastructure) not responding quickly enough to ensure release of land for development – why?
 - considered a side issue to maintaining the state’s economic development momentum
 - consider the issue to be overstated for the Pilbara
 - process orientated rather than results orientated
 - inexperienced in handling crisis situations
 - not putting sufficient resources into government departments to get problems resolved quickly

- not minimizing regulatory hurdles (red tape) to facilitate quick action.
 - not facilitating third parties (eg. private enterprise) as a means to get problems resolved quickly.
- state government mandated Landcorp to act as a profit making centre.
- local government councillors failed to develop policies and guidelines on housing availability and affordability – consequently the lack of direction forced local government executive arms to take a “gold plated” attitude towards development - due to intense pressure it is only recently that some of the non essential issues towards land and buildings have been relaxed (moving towards a “brass plated” attitude)
- governments not carrying out regional or shire surveys of the current and future
 - supply and demand of housing (availability)
 - style and type of housing required (quality)
 - ownership and rental costs of housing (affordability)
 - (in late 2007 the state government appointed two senior planners to prepare a Pilbara regional land use plan – however they are constrained by lack of base line data and projections)

5. Challenges:

- Massive dynamic pipeline of economic growth force feeding into a small crumbling pipeline of support services and infrastructure.
- Prime focus of governments on the economic imperative without commensurate focus on the social imperative.
- Government leadership – (quote “Governments can fix big problems however you cannot expect them to fix small problems”) – regulatory and budgetary attitudes of governments do not allow others to get in and fix the small problems.

6. Forecasts:

- Positives
 - Massive economic opportunities in the Pilbara

- Potential for government leadership
 - Commonwealth government has the financial resources
 - State government has financial resources and the legislative power over land use and release
 - Local government has some power over development and construction design criteria.
- Negatives
 - Housing affordability (and availability) will probably worsen.
 - Government unable to quickly resolve current housing demand let alone the future demand arising from additional proposed large scale resource projects
 - State government appears to be moving towards the hope that the fly-in fly-out strategy and resource company investment will keep the economic development prosperity cycle going whilst at the same time abandoning effort commensurate with resolving housing or other issues in Pilbara communities.
 - Lower income earning people, being unable to get and afford accommodation will continue leaving the Pilbara with a continuing negative impact on business and community services and support levels.
 - No evidence to date of the Commonwealth government having an inclination to re-invest a greater portion of its royalty and tax revenues extracted from the Pilbara to build further project capacity with the bottom line payoff of additional tax revenues.

7. Summary:

The priority is for something major to be done on a regional scale in the short term to alleviate current accommodation shortages and high accommodation costs

Then something major to be done for the anticipated major future accommodation demands.

Other wise the resource boom has generally become a large negative for local communities

Appendix 1 of 2

Event time line of experiences by PACC board members:

- July 2005 – business survey by Pilbara Development Commission and Karratha & Districts Chamber of Commerce Inc on housing affordability in Shire of Roebourne – housing rental costs increasing - concerns expressed to government about major problem emerging.
- January 2006 – major change in business environment in Shire of Roebourne – major labour shortages emerge and housing rental costs escalate – major concerns expressed to government
- November 2006 – local and state government advised at a meeting of the Nickol Bay Accommodation Taskforce of
 - the Property Council of Australia (NSW) releasing a paper on the impact of housing affordability on lower income earning people and the resultant downward spiral in the delivery of business and community services
 - a similar downward spiral happening in the Shire of Roebourne.
- November 2006 – evidence emerges at the Nickol Bay Accommodation Taskforce meeting that governments focused only on accommodation needs of major resource organisations and government departments – no consideration given to accommodation requirements of other levels of the community nor the size and impact of the indirect work force created by major resource projects.
- April 2007 – Karratha & Districts Chamber of Commerce Inc carries out a survey of small to medium size business members on accommodation requirements in the Shire of Roebourne – extrapolation of the findings show in excess of 2,000 beds required immediately for permanent employee workers
- May 2007 – increased interest by institutional funds and major developers in investing in the Pilbara on realization that the resource boom was more permanent
- August 2007 – WA state government responds with inaugural meeting of Pilbara Industry's Community Council (PICC) – primarily focusing on the needs of major industry and indigenous
- October 2007 – PACC correspondence to Federal government

- 2007 – local and state governments start to realise the resource boom cycle could be long term and commence to take limited action - major resource companies and other organisations have been advising government for at least two years that the resource boom had a long term currency and there were major development constraints emerging with accommodation being a major issue.
- 2006, 2007 and 2008 – PACC lobbied local and state governments to take leadership in resolving development and social constraints in the Pilbara particularly about housing.
- 2008 – no regional survey has been carried out to date on the Pilbara region (or at local government level) of the current and future
 - supply and demand of housing (availability)
 - style and type of housing required (quality)
 - ownership and rental costs of housing (affordability)

Appendix 2 of 2

- Attached is a copy of letter to the Prime Minister, The Hon John Howard MP dated 4th October 2007 outlining further views of the PACC.

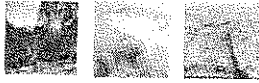
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PILBARA

AREA CONSULTATIVE COMMITTEE



Reference: 426.07

The Hon John Howard MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

Re: Pilbara Western Australia

A common thread running through discussion at meetings attended by Pilbara ACC board members is the crisis situation facing the Pilbara due to lack of affordable housing, the flow on effect of lack of employees and lack of social infrastructure. The term 'death by boom' is beginning to ring true for the communities of the Pilbara region.

There are many agencies expressing concern over the lack of coordinated action being taken to address the situation, but there does not appear to be one agency with the authority or capacity to lead discussion on resolution to these issues.

Senator Murray visited the Pilbara in July and his concerns over the impact of housing accommodation availability on local residents, small business and industry is noted in Parliament. Senator Murray stated:

The Commonwealth government needs to invest in roads, ports and airport infrastructure in the regions. This should be a priority for the Commonwealth. The Pilbara value of iron ore and petroleum products, including liquefied natural gas exports, amounted to some \$22 billion dollars in 2005-06, which was about 25 per cent of Australia's total mineral and petroleum product exports in that year, or around 14.5 per cent of Australia's total merchandise exports in that same year.

It was clear from all of my meetings and my own observations that social infrastructure, in particular the availability of housing, needs urgent and coordinated attention. It is a problem in Kununurra and the east Kimberley. Social infrastructure, in particular housing, in the Karratha-Dampier area of the Pilbara is a very significant problem, and its lack is impeding the progress that can be made in one of the most important economic regions in Australia. As with my previous visits to Karratha, I came away with an abiding impression of immense frustration at the lags in the provision of affordable and available accommodation and the supporting social infrastructure, and the lost opportunities as a result. I remain surprised at the almost universally low housing density in Karratha-Dampier, where apartment blocks are uncommon.

In May the Chairman (at the time), Allan Clark, and I had discussions with Shadow Trade and Regional Development Minister Simon Crean, and he undertook to discuss the matter further with his colleagues. He discussed commitments the Labor Party would undertake in the Pilbara if elected.

I have met with Federal Member Barry Haase in the last week and I raised our concerns and put forward our suggestion to move this matter forward. I have met with the local State Member of Parliament, Mr Fred Riebeling this week and he is keen to be involved in seeking resolution to the issues.

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Barry Haase suggested I write formally to you as I am interested in convening a meeting with key decision makers to address the most urgent matters affecting the region before they spiral further out of control.

I am sure you are aware of the issues, so I won't labour the point that accommodation and land is so out of control in the region that rents are consistently \$1500-\$3500 per week for an average 4 bedroom property.

Industry is constrained as they can't house their workforce for continuing operations, planned maintenance periods and expansion. Medium enterprises who would normally boom in the present climate are seeing opportunities pass them by as they cannot afford to house the workforce required. Small business (unless they have the national capacity behind them to engage Subclass 457 workers) close their doors as they can't find enough workers to remain open.

The not-for-profit (n-f-p) sector is steadily declining. For instance, in this Lotteries House not-for-profit building, two medium size n-f-p agencies have closed this year as they cannot replace staff given the current tight employment sector. The Youth Refuge was closed for nearly 12 months as it could not attract staff. In this market, unless you can provide housing you have little chance of securing employees.

Another aspect of concern is the massive increase in population that is required to support the increase in development in the Pilbara. The increase is not viewed to be a temporary one and of concern is the aging infrastructure. Infrastructure issues need to be addressed so that programs and essential services can be delivered.

There is some work being undertaken locally by PICC – the Pilbara Industry Community Council. PICC was convened to address two issues:

- Development of a shared vision for indigenous participation in employment, including strategies to reduce gaps in education and training, health and housing; and
- Development of a shared vision and strategy in relation to the sustainability of Pilbara towns.

PICC held its inaugural Principals meeting on August 23rd and the next stage will be to gain political endorsement, State and Commonwealth, and resource commitments, and then announce these. At best a six month timeframe. (See attachment for Principals).

Given the structure or makeup of PICC, if I understand correctly, the focus for the proposed funding agreement will be a policy that invests in areas of adult training and education, employment (both with a focus on indigenous participation), land/accommodation shortages and a scoping of the current health services. These discussions are primarily Industry and State Government funding focused, though the media release does refer to participation by the three tiers of Government in the process.

My presumption is that the Federal Government is involved in the PICC process via the Regional Partnership Agreements an investment strategy to provide a coordinated response to Indigenous identified priorities.

There is definitely a need for investment in human and social capital but there needs to be an equal focus on physical capital. There is a view that unless immediate and substantial investment is made to address accommodation shortage and capital infrastructure, that the social development agenda of PICC and RPA's will falter. PICC is primarily an industry vehicle and infrastructure funding is not something that industry is keen to finance.

PICC states that the issues it seeks to address are long-term challenges for the Pilbara community and need a dedicated and coordinated response. I agree, but proffer that although the challenges may be long-term they are also immediate and require firstly a thoughtful and coordinated immediate *financial* response that may best be met through Federal, State, Local Government and

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An Australian Government Initiative



PICC
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Industry agreement. Secondly a commitment from parties to coordinate and collaborative to remove the bureaucratic barriers that stall addressing the issues.

I understand you were seeking suggestions a short while ago on innovative ways to address urgent issues in electorates.

I would suggest that as simplistic as this suggestion is, to convene a meeting of people who have the authority to make decisions at the table, people at the table who will make a financial and operational commitment, then things could move forward in a coordinated approach, would provide an answer to a situation that is spiralling out of control.

Agencies (at all 3 tiers) appear paralysed with the enormity of the situation therefore do nothing or provide small investment funds in an adhoc manner which achieves little. Senator Murray considered that a suggestion for resolution to this lack of action would be to view the problem in the same way you addressed the situation in the Territory and attach a leader/fix-it person to the issue to be addressed in a coordinated and defined timeframe.

Given that PICC has developed a raft of recommendation's and has spent considerable time and effort in researching priority areas in the Pilbara I am proposing that we seek access to the research and details of the recommendations proposed to address key priority areas in the Pilbara.

A synopsis of the document(s) would be developed and if any gaps in regard to 'hard infrastructure' are identified then these to be briefly researched and added to the recommendations.

The issues, recommendations and identified strategies and goals to address these to be put to a select audience with the view to maximising the work that PICC has carried out to obtain an immediate commitment from decision makers to invest in the Pilbara in a format agreeable to the 3 tiers of government and Industry.

I would like to propose a meeting of decision makers.

Proposed invites

- WA Local Members
- WA Minister for State Development
- WA Minister for Planning and Infrastructure
- Federal Local Member
- Parliamentary Secretary to the Minister for Transport and Regional Services
- Federal Opposition Minister for Regional Development
- Senators Murray, Eggleston
- CEO's and Mayors/Presidents from the 4 Pilbara shires
- CEO's of Industry
- Pilbara Regional Council

With this in mind, the purpose of the meeting is to identify what matters can be addressed in-house within select departments (individually or collectively with other departments or industry), and commit resources and timeframes to these strategies. Strategies that require financial commitment (from State or Federal) are committed to possibly in the form of a fund, akin to the current Pilbara Fund.

Your thoughts on this proposal would be appreciated.

Yours Sincerely

Collene Longmore

Executive Officer

Pilbara Area Consultative Committee

4 October 2007

ABN: 83 499 631 861

PICC held its inaugural Principals meeting in late August to consider the recommendations of the PICC steering committee.

Pilbara Industry's Community Council - PRINCIPALS

Independent Chair:

Mr Barry Cusack

Industry:

Dr David Smith, Managing Director, Rio Tinto Iron Ore
Mr Keith Spence, Chief Operating Officer, Woodside Energy Ltd
Mr Ian Ashby, President WA Iron Ore, BHP Billiton Iron Ore
Mr Colin Beckett, General Manager Ventures Gas, Chevron Australia

Commonwealth:

Hon Andrew Robb, AO MP, Minister for Vocational and Further Education

State Government:

Hon Eric Ripper, MLA, Minister for State Development
Hon Jon Ford, JP MLC, Minister for the Pilbara
Mr Stan Martin, Chair, Pilbara Development Commission

Local Government:

Cr Bill Despotovski, Chair, Pilbara Regional Council

Community:

Mr Barry Taylor, Managing Director, Ngarda Ngarti Yarndu Foundation

CME:

Mr Tim Shanahan, CEO
Mr Reg Howard-Smith, Director
Ms Amy Ruddock, Coordinator, North West Executive Officer - CME
Government Coordinator: Mr Stedman Ellis

The PICC recommendations recently developed are:

PICC INITIATIVES

1. Pilbara Education, Training and Employment Review

It is seeking to build on the outcomes of recent government reports into capacity building and service delivery in Indigenous communities. A major goal is to secure more Indigenous community members into training, apprenticeships, higher education and work programs.

2. Pilbara Medical Services

A proposed partnership model is being developed with WA Country Health Services, Royal Flying Doctor Service and Industry Chief Medical Officers to improve mutual understanding of respective operational needs and models, agree on short and long term priorities, and develop the outline of a partnership.

3. Pilbara Land & Accommodation

A partnership model identifying the roles of various parties in contributing to short-term and long-term needs will be developed based on the workshop.

4. Pilbara Scenario Planning

A preliminary economic modelling of scenarios relating to the pressures on services and infrastructure of the likely population profiles that medium to long-term resource investments may generate in the period 2015 to 2020 has been completed.