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SENATE

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN
AUSTRALIA

Reference: Barriers to homeownership in Australia

MONDAY, 28 APRIL 2008

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**SENATE SELECT COMMITTEE ON
HOUSING AFFORDABILITY IN AUSTRALIA**

Monday, 28 April 2008

Members: Senator Payne (*Chair*), Senators Bartlett, Colbeck, Fifield, Lundy and Moore

Senators in attendance: Senators Bernardi, Hurley, Kirk and Payne

Participating members: Senators Abetz, Adams, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fisher, Forshaw, Heffernan, Hogg, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Ian Macdonald, Sandy Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, Nettle, O'Brien, Parry, Patterson, Polley, Robert Ray, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Watson, Webber and Wortley

Terms of reference for the inquiry:

To inquire into and report on:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending; and
- g. the contribution of home ownership to retirement incomes.

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Committee met at 9.35 am

CHAIR (Senator Payne)—I declare open this meeting of the Senate Select Committee on Housing Affordability in Australia. The Senate established this select committee on 14 February 2008, and it is due to report on 16 June 2008. The terms of reference for the inquiry are as follows:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending;
- g. and the contribution of home ownership to retirement incomes.

To date the committee has held public hearings in Canberra, Sydney, Campbelltown, Karratha, Perth, Brisbane, the Gold Coast, Ballina, Geelong, Narre Warren and Melbourne. This hearing has been convened to receive evidence on housing affordability issues as they affect South Australia and the Northern Territory in particular.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[9.37 am]

RUSSELL, Mr Christopher John, Director, Government Relations and Communications, Local Government Association of South Australia

CHAIR—I would like to welcome our first witness this morning, Mr Chris Russell. I invite you to make an opening statement to the committee, and we can go to questions after that.

Mr Russell—Thank you. I would like to make an opening statement. Firstly, I would like to make it clear that the LGA has a practice of not expressing gratuitous views about state or federal government business, and we do expect the same behaviour of other governments. We only make comments where there are clear impacts or interactions between local government business and that of other governments. We also have a high level of respect for parliamentary inquiries and try to make ourselves available wherever possible to assist, so I am pleased to be here today. I note that most of your terms of reference focus on the business of state and/or federal governments.

The LGA has been involved for many years in affordable housing issues with our member councils, stretching back to before the Australian Model Code for Residential Development was developed in the 1980s and to former Commonwealth programs such as the local government community housing program, LGCHP, which was variously known as ‘logchip’ or ‘legchop’! Councils in South Australia have sought to understand how they can promote affordable housing within a context of comprehensive services for communities. I can also note councils are not directly involved in the management of rental properties, cooperatives or community housing in South Australia to anywhere near the extent that they are in New South Wales, Victoria or even Western Australia. Their involvement has tended to be in a coordination role or via the provision of land. Our general view is that councils do not and cannot control the affordability of housing but they can affect it and other aspects such as integrated services for communities. It is our general view that issues such as land availability and interest rates are the primary determinants of housing affordability. I would like to note that development approval delays and high standards expected of new development, which councils have some involvement in, can impact on housing affordability. In South Australia these roles are shared with state government, with the state’s Development Assessment Commission handling major subdivision approvals, for example.

Most of the standards are set by the state government. Two recent examples are requirements for rainwater tank plumbing, which were introduced in November 2007, and new energy efficiency requirements, which were introduced in 2006. Both have significant benefits to communities, including the potential to reduce ongoing water and energy costs, but they do come with additional up-front costs.

I should also make some comments about development contributions and refer to the Productivity Commission’s recent report assessing local government revenue raising capacity which notes that, in South Australia, development contributions to local government are the lowest of any state or territory in Australia except for the Northern Territory. It is our view that, along with the unfair distribution of financial assistance grants by the Commonwealth, that puts significant additional pressure on council rates in South Australia. I should also mention that that latter issue was highlighted in the House of Representatives cost-shifting inquiry in 2003.

Councils work hard at ensuring that development approvals are provided as rapidly as possible. Generally, this is not a significant problem in South Australia, although there are opportunities to improve. We are keenly working with both the state and the Commonwealth governments to ensure we can take advantage of the Rudd government’s program to encourage fast-tracked electronic development assessments. I also note that we have developed some strategies to tackle the current skills shortage of professional planners, including paraprofessional training programs and promotion of the profession. That is probably the biggest issue at the moment impacting on approval times in South Australia.

We are currently embarking on a new program to gather performance data. The data that we gathered in the 1990s indicated that average approval time for development in South Australia was 11 working days. I should make the point that those sorts of figures are not generally comparable between states because of the differing nature of what requires development approval in each state. It is often argued that an average time is relatively meaningless. We have a lot of pergolas and sheds that get approved over the counter in two seconds, and that obviously impacts on overall approval times.

Generally, I would have to say that residential development at the fringes of Adelaide receives rapid approval—commonly, within two weeks. Of course, smaller, complex development in inner Adelaide—generally not for first home buyers—might involve a whole series of complex issues, including overshadowing, overlooking, heritage issues and all the consultation with neighbours. This obviously takes longer than greenfields development on the fringes. In general, however, we do not believe that delays in development approvals provide anything other than time frames concurrent with other development issues, such as securing finance or issues which impact in relatively minor ways. We are highly mindful that any delay which can be avoided should be. Hence we are working closely with the South Australian Planning and Development Review, led by Michael O'Brien MP, on performance data, electronic development assessment and the skills shortage issue.

We are also an inaugural member of the national Development Assessment Forum, which has been in place for almost 10 years looking at harmonising development systems nationally. We have also supported the states' development of a better development plan module on affordable housing. This picks out the best examples of zoning laws to support affordable housing and publishes them in a guide which councils are encouraged to follow when they next review zoning laws. I should add that zoning changes in South Australia only take effect when they are signed off by a state minister, so it is often a moot point whether they are council development plans or state development plans. I should also note that one of the advantages we have in South Australia is that the development plan is the only document relevant to a development approval. There are not multiple documents that are relevant in an approval context or in a court appeal; there is only the development plan. That document takes the form of regulations under a South Australian act.

Lastly, I should also note that over the past year we have begun looking in more detail at more innovative ways in which councils may be able to assist in reducing the cost of housing. We are doing so in conjunction with the South Australian Minister for Housing, Jay Weatherill, and his staff. We have recently invited councils to submit proposals to us either for funding assistance or for consideration of an example that might be promoted widely to other councils. We will be exploring whether any of those proposals might be eligible for funding under the Rudd government's Housing Affordability Fund. I would be pleased to answer your questions.

CHAIR—Thank you very much, Mr Russell, for joining us today and for the comments you made about assistance to parliamentary inquiries. We actually cannot function without witnesses prepared to come before us, so I understand the point that you make, and we are grateful for that. May I just start with a couple of questions. You talked about developer contributions to local government in South Australia being the lowest of any state. Who sets the levels: state government or local government?

Mr Russell—We do not have a generally regulated set of developer contributions for local government at all. That would require a change to the Development Act or possibly another act. We have set in place through the Development Act certain requirements for new subdivisions—for example, for developers to put in place roads and then hand the roads over to local government to look after—but there is no financial developer contribution. One of the points I should make—and this is one of the biggest problems we have with the current system here—is that in areas such as Mount Barker, where there is extremely heavy development pressure at the moment, developers are happy to voluntarily make development contributions. They are happy to say: 'If these particular stormwater works are required off site for this development to proceed and the council has no way of financing those, we are happy to make a contribution.' What that creates, however, is a highly inequitable system within South Australia where there are areas in which there are high development pressures and developers are happy to make contributions, obviously sometimes in competition with other developers.

CHAIR—You would get very sophisticated stormwater channels out of that process.

Mr Russell—You can do, although our experience is that to gain voluntary contributions there is a very close attention to detail. I do not think there are any areas in South Australia that could be regarded as having gold plated stormwater channels, by any means. It is certainly not the sort of regime we would like to see in place but it does mean that where there is not that level of contribution you end up with a highly inequitable system of ratepayers effectively subsidising development, the initial installation of infrastructure. There are two slight additions too. There is a system under the Development Act whereby developers are required to provide open space in developments over a certain size. If they cannot provide the space or if it is under a certain size then they make a financial contribution to a state fund. That fund, however, is managed by the state and does not always make contributions back to the council area from which the contributions were

made, so we have some concerns about the way in which that fund is managed. There is now a power in the Development Act to create systems for providing funding for off-site car parking, which is often an issue not in greenfield sites but particularly where there are heavy areas of more commercial development that do not have open spaces for car parking and it requires significant investment to retrofit an area.

CHAIR—Sure. Could local government put developer contribution charges up if they wanted to?

Mr Russell—No. My point is we do not have the power to levy developer contributions.

CHAIR—I see.

Mr Russell—We can receive them if a developer is interested in voluntarily making them, but that is why South Australia has the lowest level of development contributions. The only contributions we get are for roads, effectively street lighting and those sorts of things—open space that might be handed over to a local government as a result of either the developer or the state fund providing funds for that.

CHAIR—Sorry. I was not making that link. Is it a power you would like?

Mr Russell—Yes.

CHAIR—Is that an approach that has already been made to state government? Is it under consideration?

Mr Russell—We have done a series of work studies looking at developer contributions. We are conscious of some of the criticisms that have occurred of regimes in other states. We are looking carefully at that issue. We have certainly had some discussions with developers and believe there are some valid issues, but, at a minimum, we think the state needs to address the inequity issue between areas of high competition and areas of low competition.

CHAIR—I understand from the briefing notes that the committee has prepared that previously the executive director of your organisation talked about the Local Government Association putting forward a position paper on affordable housing. Is this going to be considered as part of that position paper?

Mr Russell—Certainly the work that we have done around development contributions has been highly conscious of the debate about the impact on affordable housing. However, from a local government point of view, the infrastructure needs paying for, so, if we do not have the power to levy an equitable contribution from developers from new development, you are automatically requiring ratepayers to subsidise that development. As I have said, combined with the unfair distribution of Commonwealth financial assistance grants, you would expect to see South Australian council rates, all other things being equal, being higher than everywhere else.

Senator HURLEY—You mentioned the fast-track electronic processing. Forgive me if I am wrong, but I think the LGA was quoted in the *Advertiser* as saying that that would not decrease the cost of planning approvals even if it were brought in. Can you expand on that?

Mr Russell—There was a story, I think in Messenger Press, which was quite clumsily written. I admit to being a former journalist and do not want to be too critical of the journalist involved. We were making the point that, where a development approval may be impacting on holding costs for a developer, a more rapid development approval will allow a developer to decide what he or she wants to do with the cost that they pass on to homeowners. So effectively the point that we were making, which was slightly tangled up in the introductory paragraph, was that it would be in the hands of developers as to whether those cost savings are passed on to homeowners or not.

Senator HURLEY—So your point there and I think your point this morning is that in South Australia at least the approval processes is not a significant contributor to the cost.

Mr Russell—We do not believe so. South Australia is a large state and there are substantial differences between developing in established areas and new areas and trying to develop within the city of Adelaide or the Willunga Basin. That is not just about the inherent natures and stresses. Planners tell me that a development can involve as many as 140 different checks because of our desire to put as much as possible in the one approval process. You are more likely to find more of those developments in an inner established suburb than you are on the fringes.

There are also issues around council performance. I have mentioned the skills shortage. We are certainly aware that there are councils operating substantially under what they would regard as a full contingent of planners, and that is going to impact on approval times. But, generally speaking—and I think it is inherently about the South Australian system—the majority of straightforward development is handled very well by the

South Australian system. I think our development system does not deal as well as some interstate with particular issues, but I do not think they are standard housing developments on the fringe of Adelaide.

Senator HURLEY—When we are talking about affordable housing in Adelaide, we are almost certainly talking about a bigger development on the fringe areas.

Mr Russell—Yes. During the 1990s there was a lot of criticism of a couple of councils in South Australia. We had a planning student go to the Environment, Resources and Development Court and go through every appeal. We found that a council that was picked on as being a major blockage to economic development in this state at the time did have a higher number of appeals than surrounding councils. The vast majority of those were applications for signs and applications to subdivide one block into two in a residential area. You added the sum of them up and you could not equate it with any sort of blockage to economic development or housing affordability within the state.

In a sense, one of the things that the whole development system throughout Australia suffers from is a lack of really good data. I have heard developer organisations stand up and say, ‘It’s outrageous that it can take 18 months to get a housing approval in Adelaide whereas it can take two weeks in Victoria.’ I am not aware of any housing approval that has taken 18 months in South Australia; if there had been, it would not have been a straightforward one.

Senator HURLEY—Could you stand aside from your specific role in the planning part of it and, given your fairly good knowledge of development around Adelaide, give us any ideas of the ways—I guess everyone is looking for a quick and easy way of doing this—in which housing affordability could be improved?

Mr Russell—I do not pretend to be a broad expert, but I certainly made the point earlier that it is our view that interest rates and land availability are the two biggest pressures. One of the points we have made is that often a local government’s capacity to put in infrastructure that supports development will slow that development down. That suggests that development contributions could be a factor that, if they increase supply, might reduce the cost of development overall. Certainly that is one of the key issues. Another factor affecting that is, again, the skill shortages that a number of councils are affected by. They have infrastructure works ready to roll, but they cannot get contractors to tender for the business because they are so busy at the moment.

Senator HURLEY—You say that it is a trade-off between paying an extra development cost to the council and the cost of delaying the development through waiting for the infrastructure to happen.

Mr Russell—Yes. We have not undertaken a detailed analysis of that to the point of being able to say, ‘In these circumstances it would result in a cost saving and in these circumstances it would not.’ But it is certainly one of the factors that in our view would have an impact, given that the availability of land and the speed of development are key issues.

Senator BERNARDI—In your opening statement you talk about the lack of development contributions and you mention that developers sometimes build roads and then give them to the council, effectively. What is the real difference? There are up to millions of dollars being spent on infrastructure that council otherwise would spend that sort of money on. Is there a real difference?

Mr Russell—In a general sense, I would say no. The substantial difference in South Australia though—and it is why development contributions are lowest here—is that the council has no power to regulate a financial contribution to other infrastructure costs, particularly infrastructure costs that are off the immediate site of the development under approval. If a development occurs in a valley where there are stormwater works on site but off-site headworks of some form or another are required, South Australian councils have no capacity to force a developer to contribute to those. Therefore, their choices are to borrow and, effectively, slug other ratepayers for that cost or to not be able to proceed with that work, in which case the development property cannot proceed.

Senator BERNARDI—You also mentioned the state government fund. Where there is a lack of greenfields or open space in a development, the developer then makes a contribution to the state government fund. Can that money be requested by the council for external works such as the upgrades you have just mentioned?

Mr Russell—I think the state has some flexibility in how it is managed, but effectively it is only available for open space development.

Senator BERNARDI—How much money is in that fund currently?

Mr Russell—I could not tell you that, but certainly it is a substantial fund.

Senator BERNARDI—Can you tell us how much has flowed back to councils?

Mr Russell—I could not, but I am sure that information—both what is in the fund and the amount expended every year—would be available in state budget papers.

Senator BERNARDI—The other question of clarification was about rezoning. I think you said that rezoning is required under an act to be endorsed by the minister—that councils do not have any power to change zoning.

Mr Russell—No, not on their own. Generally what happens is that, under the Development Act, a council will seek approval for the minister to review the zoning, and that can be everything in the entire area, only residential zones or a particular problem spot around a shopping centre. The minister will approve that and then, under the act, the council goes through a lengthy consultation process. Some of that involves some interaction with Planning SA, the state agency, around what the minister will and will not approve. But nothing around the rezoning has any legal impact until the state minister signs off on it. So it is an interactive process.

Senator BERNARDI—You just said that the state minister will approve and then the consultation process takes place.

Mr Russell—Yes. There is a two-stage process. The minister approves the purpose of the review and then at the end of the review the council will come back and say, ‘Okay, we have done all this consultation. We have followed the steps required in the act and we would now like to change our zoning as set out in the attached document.’ Until the minister signs off on that, it has no legal effect. One of the key positives in South Australia is that, once it is signed off, it forms part of the development plan and that is the one document that a developer needs to look at—unlike in New South Wales, where I am told cases in their Land and Environment Court can involve half a day of document discovery at the start. That is not required in South Australia because all the rules relevant for a development approval are in the one document.

Senator BERNARDI—Would it be an advantage for councils to be able to approve rezoning of their own volition?

Mr Russell—It would certainly speed up the process. One of the positive things about the South Australian system—and there are some states where councils have the capacity to do spot rezoning—is that there is an interactive system. We are required to take into account statewide issues as well as local issues. That creates tensions, but there are real tensions between statewide pressures and local pressures and to ignore them would be a bit ridiculous.

We have not looked closely at that option, but certainly one of our concerns—and, I know, one of the concerns in the planning review—is the length of time it takes to change zoning rules. One of the ways that impacts upon development—and, I suppose, one of our frustrations—is that whenever there is concern about development approval times the focus always tends to be on the application and approval end of the process whereas problems at that end can quite often occur because the rules are out of date.

There are two classic examples that I think South Australia has dealt with well. One is wind farms. At the state level, we looked very carefully at wind farms. Our zoning arrangements around the state have been changed very carefully such that I think we have more wind farms in South Australia than anywhere else in the country. Similarly, the second example is marinas. Marinas had not been envisaged in development plans 20 years ago, so it was very difficult looking at the onshore and offshore issues around developing a marina. A lot of work happened, including some studies about where they were most likely to be, the zoning rules were modified and subsequently most of the marinas that were envisaged in South Australia have now been developed. They are highly specific examples, but the cycle of review of development plans is a bit of a problem—as is the length of time they do take to get approved through Planning SA and the minister. I know that is of high concern to the state and that Michael O’Brien has been looking closely at that.

Senator BERNARDI—If we consider a non-greenfields development—say it is the subdivision of existing large blocks of land in a suburb that is currently zoned R1, which I think you mentioned before is a single dwelling, and maybe they want it rezoned to R2 or R3, which would increase the supply of housing in that area—what length of time is involved in that sort of process?

Mr Russell—That would depend largely on the consultation process, I think. If it were a change to the zoning rules, it could take two or three years. It could possibly be done more rapidly than that, but if it were around one block then a council can approve a subdivision as long as it is consistent with the zoning rules. If you wanted to change the whole zoning rules for a zone or a suburb, then the time to conduct an amendment

process for the development plan could theoretically be as short as six months. But, in terms of the process it has to go through generally in South Australia, my understanding—and I have not looked at the latest statistics—is that it can take two, three or more years.

Senator BERNARDI—Is the application process for rezoning of existing areas normally undertaken by the council at the request of a developer, or does a developer request it themselves?

Mr Russell—My assumption would be that anyone could request it, but it requires the council or the minister to initiate it. The minister has the power to rezone, but generally in South Australia it is the request of a council that starts the process of looking at a rezoning.

Senator BERNARDI—I have just one other question. You mentioned, as did Senator Hurley, the fast-track electronic development approval process. What are the expected costs for councils to implement the infrastructure and the technology that is required to go down that path?

Mr Russell—I could not tell you the full costs, but we have done a lot of work. The administration of the development system is done jointly between state and local government. Some approvals—for example, a development where there is a contaminated site—would require the EPA to sign off on them. If it were on a main road, it would require the department of transport to sign off. So there are a series of what we call referrals that require a state agency to concur with a development for it to go ahead. An electronic system operating at optimal level would not only be one in which a council could receive it and a developer could track where that development was up to at any point in time; it would also be transferable between the council and a state agency electronically. It would not make sense for a council to be able to process it electronically and then stop, push a print button, find a postage stamp, post it off to a state agency and then wait for it to come back. So it is quite complex. If you asked me to take a punt, I would say for South Australia to develop a full system would probably require something in the order of \$20 million over about four or five years.

Senator BERNARDI—And that would be shared between state government and council?

Mr Russell—Yes. There are issues at state and local government level. I should say too that there is a quite high degree of preparedness. One of the challenges for us is that planning and development software that councils use is generally a module of the larger suite of software that the council buys. Councils are often at the whim of the software vendors as to what particular specifications they have to receive planning and development issues. Sometimes there are more users of that software in states other than South Australia, so it is sometimes hard for South Australia to drive preparedness. But about half of our councils have software right now capable to the standard that was applied through the previous federal government's Regulation Reduction Incentive Fund.

But there are a series of issues, such as the capacity of state agencies to take referrals, the preparedness of developers to utilise that system and the availability of planning staff. One of the things that we have noted is that councils that are short-staffed in the planning area are busy keeping the process running and generally are not inclined to stop the whole system, retrain people, implement a new software system and let approval times get delayed further. So there are a number of stresses on the system that require dealing with sequentially over a number of years to actually deliver it. But we have certainly worked with Planning SA to identify the key next steps and how effectively the Commonwealth could invest sensibly in accelerating that process.

CHAIR—Mr Russell, you mentioned interest rates and land availability as factors in affordability, and land availability in South Australia has been raised in other submissions—or perhaps lack of available land, more specifically. What role does local government have either in lobbying state government about land release or in managing land release process here in South Australia?

Mr Russell—The primary owner of land for a lease around the Adelaide fringes is state government. Councils can and do lobby state government around release of that land. Certainly there are quite often detailed discussions with the state government about sequenced land release, but the primary decision maker in that is state government.

CHAIR—I am from New South Wales, so I have an inadequate working knowledge of the areas referred to. For example, you referred to the Mount Barker area, which you said was an area which is undergoing development at the moment. Is it frustrating for councils in that area that the land availability for development has not been as they would have liked?

Mr Russell—I suppose from a council's point of view it can be a double-edged sword. The external demand for development places a whole lot of stresses on their system. It may be an area where they work with state government, but they would not sit down and say, 'Quick, release more of it,' if from nothing else

but a workload point of view in managing subdivisions. Certainly our impression is that the degree to which land is released impacts on the cost of that land, and therefore that is a primary determinant.

CHAIR—Have your member local councils been pushing for release of larger amounts of land?

Mr Russell—I cannot answer that in terms of individual councils but I can say that at the state level we quite often receive quite strong pressures from councils about particular issues in state government. Land release is not one of them.

CHAIR—Okay.

Mr Russell—I would have to say also, as I pointed out in my introductory comment, that councils have not been involved in South Australia in management of rental properties, cooperatives and community housing to the extent they have been in a number of other states. That may make them a bit less sensitive to some of those supply issues. Largely, I think it has been seen as a state government issue.

CHAIR—Thank you very much for that. Does anyone else have any further questions for Mr Russell? As I said earlier, thank you very much for joining us this morning and for your contribution to our inquiry. It was extremely helpful.

[10.14 am]

JACKSON, Mr Peter Allan, President, South Australian Division, Urban Development Institute of Australia, and Member, National Council of UDIA

MARKER, Mr Ian William, Vice-President, South Australian Division, Urban Development Institute of Australia

McKEAN, Mr John, Executive Director, South Australian Division, Urban Development Institute of Australia

CHAIR—Welcome. Thank you for coming this morning and thank you also for providing the committee with your submission. As you know, we have in a number of places during this hearing met with your fellow organisations and associations in other states and also with your key national body in Canberra. We are very grateful for the UDIA's interest in our inquiry. I invite you to make an opening statement and then we can go to questions after that.

Mr Jackson—I am delighted to be here this morning and thank you for the opportunity. We have now had strong home price growth in South Australia in the last five or six years. Housing affordability has reached critical levels, we believe, in South Australia as well as in the Australian economy generally. UDIA strongly holds the view that the provision of affordable homeownership and affordable rental accommodation is essential to the health, wellbeing and ongoing sustainability of our residential communities. Homeownership offers many distinct advantages for individuals and the wider community by enhancing our sense of place, our sense of self and our connections with the broader community. We believe homeownership provides tangible benefits, as well as many intangible benefits, beyond the simple provision of shelter. It can provide social stability, economic reliability and community assurance and can impact dramatically on an individual's aspirations for independence and security.

A profound concern of UDIA nationally and also UDIA in South Australia is that current public policy across all levels of government does not adequately support the efficient provision of affordable homeownership and rental accommodation. This places increasing pressure on home purchasers to fund infrastructure and services up-front and consigns a disproportionate financial obligation onto a new generation of aspiring home purchasers. A major issue is an increasing gap between the supply of and demand for housing in Australia. The affordability of housing in Australia is an issue of national significance and we commend the Senate inquiry that we are sitting before today. It requires national coordination and a significantly higher level of concentration between the various levels of government, with, we think, particular leadership in this instance from the new Rudd Labor government at the federal level.

In this regard UDIA welcomes the renewed focus on housing affordability by the new federal government and, in particular, the recent announcements regarding the national home saver account, the National Rental Affordability Scheme, the National Housing Affordability Fund and the establishment of Infrastructure Australia. In the view of UDIA, there is an urgent need for governments to review policy, regulatory and taxation systems, as well as develop innovative funding and partnership models to promote and facilitate the supply of affordable housing throughout Australia. We would be delighted to have a discussion with you and answer questions, as you see fit.

CHAIR—You finished your remarks by referring to a number of the government's initiatives in relation to housing, including the National Rental Affordability Scheme. I am interested in your observations and perhaps in some reflection on the views of your members as to whether they think it is a scheme they would want to be engaged in and be a part of the discussions on. I understand there is a position paper—I am not sure whether it is a position paper or a white paper—due quite soon from government.

Mr McKean—The state government here in South Australia have invited us to meet with them—it might well be at the end of this week with Minister Weatherill—to look at the rental affordability schemes, with a view to providing some input on how it can be promoted across the developers. That meeting will take place this week on Friday, 2 May. We are keenly interested and generally supportive.

CHAIR—Have you had any input—perhaps not necessarily by your South Australian organisation; perhaps you are aware of some input at the national level—into the development of the scheme itself?

Mr McKean—Broadly, yes. When Mr Rudd, as the then Leader of the Opposition, held the affordability summit in Canberra last July, we were invited to attend, which we did. We were aware of some of the

proposals and early discussions that led Minister Plibersek to formulate that scheme and provide a set of protocols to the state. It is a work in progress. We are interested and we hope it will be delivered and be effective.

CHAIR—Another question I wanted to ask you, which comes out in your submission, is about your views on the release of land and land availability in South Australia. You would have heard us talking to Mr Russell about that earlier. That is obviously a concern for your organisation. I wonder if you could expand on that, and then perhaps we might have a discussion about it.

Mr Jackson—Going back to 2004, the current Labor government announced a strategic plan for the state—I think it was late 2004—and identified that one of the key targets for South Australia was to increase its population from the figure then of around 1.5 million or 1.6 million to around about two million by 2050. The UDIA at that time, particularly in early 2005, identified on behalf of its members and the community generally that there would be a shortage of land unless we did something dramatic to rezone land.

Just prior to that period, the state had agreed to an urban growth boundary, which defined the residential boundary, if you like, of metropolitan Adelaide and restricted the land supply. The urban growth boundary was identified and put in place without any mechanism for its review, contraction or expansion. It was one of the major concerns that the UDIA forecast at that time—that we would have a shortage of available land, particularly if the state was successful in moving towards the sorts of population growth targets that were set.

During 2005 and 2006 we saw those population growth targets achieved, and as recently as last year the state government here was indicating that we could have two million people by 2030, not 2050. So our concerns with government over the past two years in particular have been expressed as congratulations in relation to the achievement of the population growth targets, which have been great and necessary for the state in terms of changing our demographic profile, but the other mechanisms that need to go in place to support that, to maintain South Australia as an affordable state and an attractive place to live and work, were not occurring.

Last year we saw a quick turnaround of sudden land releases. The problem we have had with that in this state is that our various statutory authorities and infrastructure groups are just not keeping pace with that. So we have a disconnect in the state at the moment between the land available for residential development and the necessary infrastructure support that goes with that—things like water, power, gas and the like.

You were talking just previously with a gentleman from local government. Many of our councils at the moment would, if you were talking with them, express significant concerns that our metropolitan development plan does not at this stage produce the coordination or the planning outcomes necessary to fit with the population growth targets that we are currently experiencing and hoping to experience in coming years.

CHAIR—Do you think that lack of fit has an impact on housing prices?

Mr Jackson—The UDIA's position is a fairly simple one when it comes to things like supply and demand. If you shrink the supply of land, the price of available land is going to go up. I do not think anybody can dispute that fact. Last year we saw the price of larger parcels of land released in this state increase by almost 50 per cent. I would contest that the price of wholesale land—broad hectare land available for residential development—in the past two years probably went up by 100 per cent. That is a dramatic increase—

CHAIR—Sure.

Mr Jackson—and had a major adverse impact on housing affordability. Well, 100 per cent in two years is probably wrong. It would be 100 per cent over the past five years, whereas the built form side of housing—the cost of actually building a home—has escalated roughly in line with CPI. The other major impact we have been seeing just of late, of course, is the increase in financing costs, which is the third major component of housing affordability.

Senator BERNARDI—Mr Jackson, in your submission it said that 91 per cent of broad hectare development land is owned or controlled by the Land Management Corporation.

Mr McKean—When they are greater than 10 hectares, which are substantial parcels. So the small acreage is available in the market, but if you look at developable parcels of land, with 10 hectares being a minimum, then 90 per cent is held by government.

Senator BERNARDI—Is the Land Management Corporation's purpose to make a profit on this land or is to simply administer the supply of it?

Mr McKean—I think the answer can be found in the published annual reports of the Land Management Corporation.

Senator BERNARDI—Could you save me wading through those reports?

Mr McKean—The returns to Treasury are bordering on \$100 million annually from the Land Management Corporation's trading activities.

CHAIR—That has raised in my mind an issue which is allied with our hearing in Western Australia. Keeping the name of each state government's land company in my head is a challenge, but I think in Western Australia it is called LandCorp, if I am not mistaken. LandCorp owns and manages the release of land around the mining areas, for example, in the Pilbara in Western Australia. There are also issues around native title in that part of the process in Western Australia. Do those issues also prevail in South Australia?

Mr Jackson—Native title has not been a major inhibitor or deterrent in land release, particularly in metropolitan Adelaide.

CHAIR—What about in the regional mining areas? You may not know.

Mr Jackson—It has not been an issue to date. I do not believe that it is an issue, for example, with respect to the expansion of the Roxby town centre. I presume it will be an issue that will be taken up with BHP Billiton in terms of the indenture negotiations and things of that nature. But I am not aware that it is an inhibitor of development.

CHAIR—Thanks, Mr Jackson. Senator Bernardi, do you want to continue?

Senator BERNARDI—I do, but not specifically on this area. I have a theory, Mr Jackson, which I am going to advance to you and ask you to comment on. You mentioned the taxes and levies that are imposed on development. I would guess that one of the largest in a dollar sense is stamp duty on the purchase of property. Is there any evidence that people approach the purchase of their first home as something that they are going to live in for a long time and not have any change because of the impost of stamp duty and so they are perhaps not buying the most appropriate home for their circumstances? For example, a couple could happily live in a smaller cottage but instead, because of the transaction costs of buying and selling property, they may seek to buy a family sized home thinking that they are going to live there for ever.

Mr Jackson—I do not know. It is an interesting theory. I think that the general aspiration of most people in our community—couples and individuals—is homeownership. There is an economic significance associated with that which I made reference to in my opening comments. People need to move into and transfer from different forms of housing from time to time in different stages of their lives. I think you will find that a lot of younger couples or singles at the moment, for example, would be looking for two-bedroom accommodation, and that could be in a variety of forms. I think the issue of stamp duty, land tax, holding charges and things of that nature is just a contributing factor to the cost of housing at the moment. I do not think it is the single thing that would prevent people from achieving homeownership.

We just mentioned the increase in the wholesale price of broad hectare land for development. That has been a far bigger contributor to a decline in housing affordability in this state in recent years than stamp duty or the like. There is data available that compares stamp duty charges for South Australia vis-a-vis other states and things of that nature. It is a factor, and I think federally and state-wise we need to take into account whether it is a reasonable impost or not. When the federal government has a look at its root and branch investigation of the tax system, it is something that needs to be looked at.

Infrastructure costs, the purchase of the land as a wholesale cost and the costs of developing that land—water, power, sewerage, roads, underground and all of those sorts of things—are the major impacts at the present time. If you shrink the availability of that land, you force the price of that land up and all of the other contributing things that go with it. In recent years, for various reasons, we have seen a fair bit of cost shifting from state government to local government. Madam Chair, you raised the question of Mount Barker. In this state for the first time, the Mount Barker council in agreeing to the rezoning of land last year imposed some infrastructure charges on the release of that land.

CHAIR—On developers.

Mr Jackson—On the owner of the land or the developer of that land. That added something in the vicinity of \$10,000 per lot to the land for those parcels to be released. This is where we get into this area of inequity because those infrastructure charges apply to relatively minor parcels of land and the purchasers thereto. One of our arguments would be that the planning and the funding of infrastructure provision should be spread more

equitably over the whole of the community. We are now imposing those sorts of charges on selected parcels of land as almost a precondition of their rezoning to make them available for development and the eventual purchasers of that land are paying the price whereas it should be a community responsibility.

Mr Marker—That is a term called a ‘developer levy’. It is not really a developer levy; it is a cost to the developer which has to be added to the price of the allotment or the house and land that is being sold. So it is a homebuyer levy; it is not a developer levy.

Senator BERNARDI—Could I put to you, though, that there are a lot of people who seek to buy these properties, because they do sell. If these sorts of levies were apportioned across the entire community, would that result in lower prices being charged for all the house and land packages or would it simply aid the profit bottom line of the development industry?

Mr Marker—It would be spread across the whole of the industry as it used to be many years ago. Generally, property on the outskirts of the cities where the development occurs is often what the first home buyer can afford, so it is an inequitable allocation of those costs to the people who can least afford it.

Senator BERNARDI—So you think apportionment would see a reduction in the price of house and land packages?

Mr Marker—On the fringes, I think it would, yes, for the first home buyers at the affordable end of the market.

Senator BERNARDI—On the developer levies, the current system in South Australia operates differently from elsewhere and you have acknowledged that in your submission. Do you have problems with the way it operates here, apart from what you have just highlighted, or is it a better system here than elsewhere?

Mr Jackson—Our concern would be that if we went down the path of developer levies that emulate what has happened in New South Wales, for example, we could end up with a shrinkage of the land development industry again here as a consequence of just simply increasing cost. The Matusik study, which is an industry report released last year that I would refer the committee to, lists a range of issues that contribute to declining housing affordability. One of the tasks, I think, for the committee and for the government, both state and federal, is to try and rank those and work out which ones, if they can be redressed in various ways, have the most positive impact.

Infrastructure is critical. I believe and I think the UDIA believes that state governments and local governments should be borrowing money against future income. Things like rate income and the charges and so forth that go through that can progressively be used to redress and repay those loans on a whole-of-community type basis. In South Australia, because of the economic problems we had back in the nineties, I think there has been a significant move away from borrowing. Our state government has been loath to borrow for various reasons. The ‘B word’ has become synonymous with bad management at the local government level and, as a consequence, we are seeing this cost shifting from state to local government, local government to developer and developer to eventual homeowner. We believe that is not in the interests of supporting affordability and we do not think it is in the interests of equity across the community.

Senator HURLEY—Getting back to land supply—you have identified that as one of the critical things and you have been talking about it this morning—my perception is that one of the drivers for putting in that urban growth boundary around Adelaide was that there was concern about the environmental impacts on Adelaide and also spreading out the infrastructure. The reason often stated was that Adelaide is a long, narrow city along the coast, and no doubt that has particular problems. For example, there is a great appetite for land down in the southern areas and people would probably commute in from Victor Harbor and Strathalbyn and places like that, but there is also strong pressure not to have those areas developed and not to have any more arable land in the south and the north used. How do you see those competing pressures? There is no doubt in my mind that, without developing those areas, housing affordability will at least stall if not increase in future.

Mr Jackson—There is a challenge for South Australia at the moment. There is a clear imprimatur for us to change the demographic profile of our state. We have an ageing population. I think the UDIA has supported the state government’s strategic plan of 2004. We support the recent update to that. We need more people in this state. We need to rejuvenate the state from that point of view. That means that the state has to plan for that sort of population growth. At the moment we do not have a planning strategy, a metropolitan development program, infrastructure planning or funding in place to accommodate what is a state target of another half a million people, possibly by as early as 2030. That is putting pressure on all of our resources as well as on

arable land and land for development. That is a task for the state to deal with. Our concern at the moment is that we cannot have a target without putting the other things in place.

I think one of the current state government's policies is infill. We talked in the Matusik report of a lack of infill sites for higher density dwellings. We have a problem in this state in that we have quite a fragmented local government structure and many of our councils, particularly the inner urban councils, are not keen to support or promote infill. As a consequence we have a lot of no-go areas, so the NIMBY thing is operating. On the one hand we put an urban growth boundary in place that said that we would like to restrict fringe development, bearing in mind that housing on the fringe generally has been our most affordable form of housing. It is cheaper to build a small, compact, three-bedroom home in Andrews Farm, Hackham West or Aldinga than it is to build a multistorey development in an inner urban location. You can build for \$500 to \$600 per square metre on the ground in those locations, whereas inner urban and CBD type housing will cost \$2,000 to \$3,000 per square metre. So we have those conundrums to deal with.

But putting an urban growth boundary in place without creating the infill opportunities to compensate has created increased demand and forced prices up. The Adelaide City Council has produced some good examples of affordable housing in the city, but they are on quite a small scale; whereas most of our inner urban and CBD housing has been at the upper end of the market with prices starting at \$500,000 to \$600,000 for a dwelling, not in the affordable range at all. Our concern would be that, if you are putting in place an urban growth boundary, you need a process to review and update it from time to time, but your policies that would allow and support infill need changing at the same time.

Mr Marker—There is a basic tension, or disconnect, between state government policy having an urban growth boundary and saying we are encouraging greater density within that boundary while local government has control over that density within the boundary. As Peter said, there are a number of councils where you cannot go to more than two storeys—and very reluctantly going to even two storeys. The various agencies of state government and local government are not talking and working together to provide that consistent approach to the problem. I think that is one of our major issues as well.

Mr Jackson—We have talked a lot about housing and, while in our opening comments we put quite an emphasis on ownership and so forth, we did mention rental accommodation. There is no doubt that for young family groups or aspiring homeowners entry into the housing market is most often through rental accommodation. I think the infrastructure fund that we touched on or government policy with respect to this review of the taxation system are areas that can be dealt with. We now have a rental market in South Australia with declining control through affordable housing trusts, so there are declining numbers of public rental dwellings available. That has been that way for some time.

The investors in rental accommodation, the mum and dad investors using the support that has come over the years through negative gearing, are small-time investors. Generally they can be very selective as to their tenants. Quite often their accommodation tends to be in the medium price to higher price rental bracket. I think there is a major need—and I think the UDIA would agree with this—for some changes in our taxation system that are going to support investment in long-term, low-cost rental accommodation. If we are not seeing that fulfilled by state housing authorities, maybe our taxation system can be adjusted or tweaked in some way so as to offer support through superannuation funds, infrastructure funds and the like. We have seen negative gearing have a positive impact on the willingness of people to invest in rental property as part of their investment profile and strategy. But that is very selective and it is not long term. If we are to deal with the rental accommodation side of housing affordability, we are going to need to see superannuation funds, infrastructure funds and the like being prepared to take a long-term view of developing and holding that accommodation, to provide low-cost rental alternatives for our society.

Senator HURLEY—I agree that long-term rental is very important. I was fortunate to live for some time in Andrews Farm, which you mentioned. It is one of the fringe outer suburban areas. There were a lot of renters in that area. They were renting at a reasonably high cost plus they had the uncertainty of whether or not the owner would want to move into the house. Basically, the problem, as you mentioned, is that the cost of buying the land for housing is very high. Regardless of whether it is a long-term rental or a short-term rental, the landlord needs to get a return on their capital investment and so the rents are reasonably high. It is not simply about it being long or short term; it is also about the cost of building the housing, which is important. How do you see that coming down given the skill shortages in the building industry?

Mr McKean—It would be remiss of me not to mention the planning review that has been undertaken in South Australia. We have been consulted by those responsible for that planning review. Our understanding is

that its recommendations have gone to cabinet and that cabinet has asked for an implementation plan. We are keenly interested in seeing what these detailed recommendations are. If the review facilitates the release of land to the market and clears some of the bottlenecks that exist in the system at the present time, then it is going to be a huge step forward. We are hopeful that that is going to happen once the review is publicised. It is not the panacea. At the moment governments tend to underestimate the time that it takes. Say, for example, some land was released when the urban growth boundary was changed at the end of last year. The time it takes to actually have subdivisions created, approvals granted and then a home available for occupation—this has been studied for 30-odd years, and the time involved is extraordinary—is about 12 years on average. This has been well documented. We are hopeful that the planning review will facilitate much of this and speed up the movement of new land releases into the marketplace.

Mr Jackson—I will come back to your point, Senator. Let us start with one of the fundamentals: we need more rental accommodation. That is number one. I am not sure exactly how we are going to get it. We have seen negative gearing over a long period of time encourage mum and dad investors into small-scale rental accommodation. As I said, the result quite often has been in areas where they are looking for capital growth to offset the cost of negative gearing. Our structures of government and our methods of delivery are going to have to be looked at differently to encourage some organisations—I have mentioned super funds or the like—to hold and provide a greater quantity of rental accommodation.

Senator HURLEY—You are talking about them accepting a lower rate of return on that investment, aren't you?

Mr Jackson—Their rate of return could be augmented by taxation benefits, which we provide through negative gearing right now to individual investors. Mechanisms could be explored to support that. Super funds and the like are looking for a return too but they also generally take a much longer term view than a mum and dad investor in small-scale rental. Right now I think our vacancy rate is around one per cent. Shortage of supply will lead to an increase in rental cost, so we need to do something on the supply side of the equation in the same way, as I think we have mentioned, as broad hectare land for residential development.

Mr Marker—Can I also add that rents have been high at the moment, in a period where we are coming off historically low interest rates. Pressure on interest rates is going to increase the holding cost for investment, and therefore either people are going to seek a higher rental or they are going to get out of that market. That is going to put upward pressure on rentals as well. Apart from the land availability, it is the credit situation.

Senator KIRK—Thank you very much for your submission, gentlemen. In your submission on pages 23 and 24, you talk about the fact that traditionally South Australia has been an affordable state in which to live and you mention the contribution that has been made over the years by direct government involvement, essentially in providing public housing for both homeownership and rental. You also mention the fact that over the years there has been a declining role for the South Australian Housing Trust and the demise of the Commonwealth-State Housing Agreement. Essentially what I am coming to are your views as an organisation about the provision of public housing and how important that is to housing affordability generally throughout the state.

Mr Jackson—On your list of people who will be appearing before the group today is Professor Hugh Stretton.

Senator KIRK—He is in the audience somewhere.

Mr Jackson—Yes, I can see the professor. My comments will be bumbling and inept by comparison with those that he is going to make, no doubt. In a previous life I had the opportunity of working for a time with what was then the South Australian Housing Trust. I thought we had quite a good system until recent times. We had a good structure in place. We had the ability to fund, deliver, maintain and hold accommodation in the form of public rental for a long period of time. Unfortunately, in recent times those structures appear to have been pulled apart. There is a lack of funding. There appears to be a lack of drive. I touched on superannuation funds or the like as being possible holders in the long term only because our public housing authorities do not have that funding provision at the present time and do not appear to have the capacity to respond to the market need as we would have liked, certainly from a South Australian perspective. We have got to find other avenues.

There is no doubt that South Australia has over a long period of time quite effectively been able to identify land, develop housing and have a management structure in place to hold long term and to deal with those parts of the community that are in genuine need, whereas the private sector has tended to deal with rental

accommodation. I think we have got to address two things. The state has a challenge at the moment in what it does with public housing as it goes forward. I think at the same time we should be looking for mechanisms to encourage further investment in private ownership, in whatever form, of rental accommodation.

Senator KIRK—What about public-private arrangements or enterprises investing in public housing? You mentioned superannuation schemes, for example, as perhaps supporting public housing. Have you thought along those lines as to how that might be advanced?

Mr Jackson—You are probably advancing out of my area of expertise at the present time, being a simple land developer. Our UDIA focus has really been on the provision and development of land to support, primarily, residential housing development. That is where our focus, expertise and skill lie. The challenge for this committee and for the federal government is that there is a need now to give some leadership to the states in deciding how they are going to work together to provide and fill what is obviously a very clearly measurable gap. Affordable rental accommodation has declined, whether it be in public hands or private hands, and we have got to do something to redress that. Not everybody is going to want to or have the capacity to own.

Senator KIRK—Thank you.

Mr Marker—As a comment on the public-private situation: generally the cost of funds to government is lower than the cost to the private sector. So, if we are looking to reduce the cost to the end user—that is, the person wishing to rent the home—a government model must over time produce some savings.

Senator KIRK—Thank you.

CHAIR—I was looking over the recommendations in your submission, and the committee had the benefit of a visit to Karratha some weeks ago. At the time I think I described the situation there as dire. It is most certainly at the acute end of any discussion about housing affordability. My observation, as someone who is learning a great deal through this inquiry process, is that there is enormous potential for a state like South Australia to go very rapidly down the same housing affordability road, both in Adelaide and in the mining areas, to a point where the situation becomes almost untenable—so a very small three-bedroom home in Karratha does not rent for less than \$2,500 a week. It would be unusual to find a home that cost you less than that for weekly rental. The entry level for home purchasing is mostly out of peoples' capacity, and for the community to sustain a workforce outside the mining workforce is almost impossible. So, if you are a small business owner—say you are running a travel agency—and you need to add an additional staff member, you cannot get that staff member unless you can provide them with accommodation. Some small business owners are doing it in their own home, inviting people to take the spare room. There is nothing spare in Karratha, so even that is a challenge. Could you reflect on whether the state government here, in conjunction with local government, your members and all the other players in the system, really have an awareness of where this has the potential to go in a relatively short time frame? That is the extraordinary part about what we learnt in Western Australia: someone got up one day and went, 'Oh my goodness, what's happened here?' It was completely out of control.

Mr Marker—That is one of our big concerns. We certainly, as an industry, recognise how long it takes to change current practices, government policies and things like that, so we have been very vocal for many years about the desire to get a consistent plan. The state government has a strategic plan as a high-level document, but we do not see evidence amongst any of the government agencies, the infrastructure providers et cetera of any concerted efforts to address those long-term planning issues.

CHAIR—I saw your comments on that.

Mr Marker—It just takes years to change those things.

CHAIR—It is like turning around the *Queen Mary*. The *Queen Mary* would be grounded and the water would have evaporated.

Mr Jackson—We are waiting with bated breath to see what impact the mining boom is going to have on the state. I think there are some genuine concerns across all levels of government here about what might happen at Roxby and the like. From that point of view, at the moment we have got a relatively small number of mining towns. One of the controlling factors has been that BHP Billiton, in working with the state government, say, for a Roxby expansion, will be equally concerned because that is going to have a major impact on their wages bill and therefore on the economics of the mine expansion itself.

Closer to home, in areas where we have been able to have influence and discussions—in towns like Whyalla and Port Augusta—we know that the local government authorities have been desperately concerned. They want more support from the state government so they are able to plan for the growth of those towns and the infrastructure required to support that growth and keep it within affordable levels. The price increases in existing homes at Whyalla and Port Augusta in the past year or so have been quite dramatic. I think we have seen 30 or 35 per cent increases in Whyalla in the past year and 25 per cent or thereabouts in Port Augusta. Again, that is simply this question of supply and demand.

All of those towns need their structure plans reviewed and more land released. If you release more land, you need infrastructure to support that and the social infrastructure that needs to come with it—hospitals, schools, police and the like. Mr McKean made reference to the planning review. We are anxiously awaiting the outcome of that in the coming weeks to see what changes the government is going to make, because our planning system at the moment has not kept pace with our increasing population.

CHAIR—Is the planning reviewed in tandem with the strategic plan? Are they components that travel together or are they distinctly separate?

Mr Jackson—We hope that the planning review changes that will be proposed by the government sometime during May will be consistent, support the strategic plan and lead to changes and a rewrite of the state's planning strategy and then the regional and metropolitan development programs, which flow on from that. So the UDIA's criticism of government in recent years in those respects has been that our planning strategy, metropolitan development program and regional development program have not in any way been directive or sufficiently linked to the changing needs of the community and the growth in population that we are expecting.

CHAIR—We were fortunate to have the benefit of the input of the Western Australian government when we were in both Karratha and Perth, which we were very grateful for. In regard to the inquiry, that was helpful. Other governments have not been quite so helpful. The Western Australian government wants to send key workers—nurses, police officers, pharmacists, teachers and TAFE staff—to these towns in the Pilbara, but one thing it finds is that it actually cannot do that unless there is somewhere for them to live. So for state governments there are quite significant implications out of that as well. I do not know whether or not that has been part of the consideration here in South Australia.

Mr Jackson—In past years we had a part of government that had that responsibility. We have had something like the South Australian Housing Trust look after the public rental accommodation. There has been another part of government here that has had some capital provided and the management structure in place to deal with the provision of rental accommodation in those sorts of locations for police, teachers and a variety of state government employees in that particular respect. I am not sure what the status of that scheme is at the moment.

CHAIR—Gentlemen, thank you very much both for your submission and for appearing before the committee this morning. It certainly adds to our wealth of knowledge in this inquiry and we are very grateful for UDIA South Australia's input.

Mr Jackson—Thank you very much. We wish the Senate inquiry well. It is a very important area of our economy and UDIA is keenly interested to see how you progress.

Proceedings suspended from 10.58 am to 11.13 am

VINE BROMLEY, Ms Toni, Executive Officer, NT Shelter Inc.

CHAIR—I welcome our next witness. I would like to place on the record that the committee does regret that we were not able to arrange a hearing in the Northern Territory itself. Part of the reason for that is that some of the full members of this committee are already in the Northern Territory on other committee inquiries, so we had both a clash of availability and a clash of air travel schedules, with which I am sure you are familiar being a Territorian. That is one of the most significant reasons we were unable to actually visit the Northern Territory itself and I do place on record our disappointment at that. So we are particularly grateful to you for coming to Adelaide to appear before us today.

Ms Vine Bromley—I would like to thank you very much for the invitation.

CHAIR—Thank you. I would also like to say that I am well aware that, as an NGO working in the housing sector, your organisation probably does not have a lot of funds at its disposal, so I intend to recommend at our next private meeting that the committee approve reimbursement of your expenses for travelling here today to support our inquiry.

Ms Vine Bromley—Thank you.

CHAIR—Do you have any comments to make on the capacity in which you appear?

Ms Vine Bromley—I am the Executive Officer of NT Shelter. We are a non-profit incorporated organisation.

CHAIR—I see that you have provided the committee a submission, for which I thank you very much. I invite you to make an opening statement, at the conclusion of which we will go to questions.

Ms Vine Bromley—I am mostly going to speak to the paper I presented. I would really like to refer to the research we commissioned and launched in January last year. It was particularly looking at what could happen and what the levers in the Territory might be to start to deliver affordable housing. Generally, we face the lowest rate of homeownership. We have declining stock numbers in public housing. We have a very large Indigenous population and supply constraints in terms of native title and other issues. There are really high overcrowding rates in Indigenous communities, in particular, and mobility between urban and remote communities and vice versa is an issue. There is a growing population of Indigenous people and a youthful population of Indigenous people that is not being catered for and is not being planned for. There is a very wide geographic spread, small populations and very limited infrastructure.

We have also got a period of massive change on our hands in the Territory with the federal government intervention into 73 prescribed Indigenous communities, a significant new injection of funding into Indigenous communities through the new program replacing the CHIP funding and a change from remote area community management of housing to a public housing management model. We do not know what that will look like yet. There has been a reform of local government which is reducing some 59 community government councils to eight or nine shires. One of those shires stretches from the Western Australian border to the Queensland border. The NT government has a 'closing the gap' strategy which actually looks at the need to address Indigenous housing, education, health and the resultant lack of employment opportunities and skills.

Looking at your terms of reference, I believe that the NT government has quite a good package of homeownership incentives for people entering homeownership. The problem with that is that at each government budget they have to increase the amount of money that is available and the cap that they put on the housing that is available for first home owners to buy. If you look at some of the tables you will see that there is a \$100,000 difference between the current cap on house price maximum value that the Territory government homeownership products will enable you to meet to be able to access their scheme.

Homeownership in the Territory is well below the national average. Only 47 per cent of people are owning or purchasing their own homes and only seven per cent of those are Indigenous households or 3.6 of the NT's total household group. House prices in the Northern Territory have been increasing exponentially above both the CPI and income levels in the last eight to 10 years.

Interest rate rises are impacting on people. We have had 10 in the last five years and six since the 2004 federal election, and they are impacting most directly on low- to moderate-income homebuyers, with each price rise adding about \$30 per month to repayments on a home loan of about \$200,000. We find that those interest rates increase more for people who have actually been helped into homeownership because they are

the ones who are on the fringes. We estimate the number of homebuyers in the Northern Territory experiencing housing stress to be at around 6,500 of our 18,000 homebuyers.

It also has an impact on private rental. From what I heard of the previous speaker, I can only endorse the kinds of things that he was saying about the private rental market, which is that it is a legitimate form of housing for many people. You hear stories about the Y generation and their ability to move and pick and choose where they want to be and what they want to do. Their preferred form of home is probably in the private rental market.

We have only 0.4 per cent of Indigenous households in the private rental market in the Northern Territory. Indigenous people are significantly locked out of the private rental market on income levels and the rent history criteria as well as because of discrimination. Landlords and agents are able to auction rentals and they will take the people who can pay the most and who physically look like the best tenants. Indigenous people obviously must have education, life skills and jobs to access that part of the housing rental market.

As you can see from the table, the rent for a three-bedroom home in Darwin has increased from \$280 a week, in December 2005, to \$460 a week, in December 2007. House prices are also going up at those kinds of rates. Public housing in the Northern Territory contributes eight per cent of the total household tenure type and houses 35 per cent of its Indigenous population. Another 4,500 Indigenous households are housed by community housing providers and that accounts for another eight per cent of our household make-up. Most do not access Commonwealth rent assistance as rents are low and many Indigenous community housing organisations have typically calculated their rents on a poll tax basis—that is, per head of the household and per person who is earning any kind of income at all.

Due to the lack of capital investment over the last 10 years in public housing, old stock has not been replaced. Existing stock has been increasingly targeted at those most in need and has also been expensive to maintain and manage. In the past two to three years, Territory Housing has funded a range of life skills programs, delivered mostly by non-government organisations, aimed at assisting Indigenous households to sustain and manage their tenancies, as well as deterring housing damage.

Stocks of public housing continue to fall. Some stock is sold to existing tenants, some is sold because it has been provided as government employee housing in the past to help people stay in the Territory. At this time of our maturity in the Territory, I do not think government housing in both Alice Springs and Darwin should necessarily be provided to public servants. They should be able to find housing in the regular market as other people in the Territory do, whereas I am sure that people need government housing assistance in more remote areas.

The only public housing stock developed in the Territory over the past five to 10 years has been as a result of upgrade and renovation. The welfarisation of public housing has led to a tightening of the eligibility criteria, increased waiting times for both priority and other eligible clients and the introduction of punitive measures, such as antisocial behaviour regulations and limited term and trial tenancies.

NT Shelter is concerned about the reform of remote area Indigenous housing coming under the management of Territory Housing from July 2008. We have not seen any policies, such as how they will implement limited tenures; how they will address eviction in those kinds of communities, when the whole community lives there; and how they will implement antisocial behaviour agreements and those kinds of things. We have no evidence yet of those policies.

We in the Territory have a very underdeveloped non-government community housing sector, apart from remote Indigenous community housing. Housing that is provided by urban based not-for-profit agencies has generally been head-leased public housing stock and provided to non-government organisations to house their clients coming out of crisis or homelessness. The money that we get through the community housing program, through the Commonwealth-State Housing Agreement, has only been about \$600,000 per year since its inception. That has not been enough to grow our sector.

The report that we produced last year entitled *Levers to promote affordable housing in the Northern Territory* refers to fast-tracking a not-for-profit housing sector in the Northern Territory. We strongly believe that that development for joint venture projects is integral to delivering more social housing options as well as affordable housing products for low- to moderate-income households.

Land release in the Territory has been very slow. In announcing the land release for a new Palmerston suburb in Bellamack in 2007, the Minister for Planning and Lands referred to the strategy of the government's land releasing policy as 'to avoid flooding the market, resulting in plummeting property prices'. But the slow

and expensive rate of land release has clearly not resulted in plummeting property prices, with the average price lot in Palmerston increasing from \$71,000 in 2002 to \$162,000 in 2007.

The land release in Alice Springs, Larapinta stage 4, was announced in November 2004 as the first significant release in 10 years. That stage 4 of only 40 blocks still is not fully developed or populated, so those releases are going very slowly. Alice Springs is particularly landlocked and they have released 40 blocks in 2004, 70 blocks in 2007 and another 45 in November 2007. So they are not very big lots at all. There is a 256-lot development, a private land release on the books in Ragonesi Road of six stages of 256 lots, but that has not yet commenced and there is no development underway there at all.

We believe the government has an important role to play in affordable housing and not just for homeownership. We see the need for the private rental market to be something that is really encouraged. We want to see joint ventures and the not-for-profit sector being part of that. We believe that the not-for-profit sector can deliver and develop housing cheaper than the government and the private sector because it can do it GST-free for a start. With an input from the government, we believe that in terms of land ownership or something like that which provides equity to the development they can leverage funds from the private market to actually help that happen. With no developed viable housing sector in the Northern Territory we actually think it is inconceivable that the government or the private sector will have the expertise or the capacity to deliver the outcomes the NT requires.

Planning powers in the Northern Territory are all vested in the NT government rather than in local government. Planning is really concerned with town planning and zoning rather than anything else. The research talked about expanding the definitions about what was sustainable development and adding concepts such as social mix and housing diversity into the planning scheme and also inclusionary zoning. We held housing forums in the Territory in all the major centres in March in conjunction with Territory Housing. Some of the recommendations that were coming out of there were looking at being able to fast track some developments, to ask for 20 per cent of any land releases to be allocated as affordable housing and for that to be held by government and then worked with a not-for-profit housing provider and possibly joint ventures to develop affordable housing. That can be private housing, private rental, homeownership and ongoing social housing. I might end there. You can read my thoughts about the financial institutions!

With respect to aged people's housing, clearly retirees who own their own homes are much better off than those who do not, but we do not have any low-cost options for older people in the Territory. Some research done by COTA NT looked at what people wanted to do in retirement and where and how they wanted to live. There was a projection of something like 10,000 households of older people who wanted to remain in the Territory and live in some sort of retirement village or lifestyle village, and there are just no opportunities for those in the Territory at the moment. I am open to questions.

CHAIR—Thank you very much and thank you for your submission. Just to clarify in relation to NT Shelter, you do not run any houses yourselves, you are—

Ms Vine Bromley—We are a housing advocate. We contribute to housing policy for government.

CHAIR—You are under the umbrella of National Shelter.

Ms Vine Bromley—We are members of National Shelter—each state and territory makes up the membership of National Shelter at the moment.

CHAIR—In your comments about the number of homebuyers in the Territory experiencing housing stress, which you calculate as about 36 per cent of 18,000 homebuyers, do you mean 18,000 people holding a mortgage?

Ms Vine Bromley—Yes, 18,000 households which are currently purchasing their own homes. We have 56,000 households in the Territory and, from the 2006 census, 18,000 households are currently purchasing their own home.

CHAIR—Do the rest own them outright?

Ms Vine Bromley—Some own them outright—not the rest.

CHAIR—I am trying to isolate those figures.

Ms Vine Bromley—I think about 11,000 households own their homes outright.

CHAIR—Are those 18,000 people classified as being in the lowest 40 per cent of income?

Ms Vine Bromley—No, not necessarily. They would be all those who are purchasing their own homes at the moment. The 36 per cent of those people was based on the national averages of 36 per cent of homebuyers and 52 per cent of private renters currently being in mortgage stress.

CHAIR—We have found that the ‘mortgage stress/housing stress that is well on its way to financial stress’ assessments seem to vary a lot throughout our discussions. Some people describe it as those who pay 30 per cent or more of their income in housing costs when they fall into the two lowest—

Ms Vine Bromley—Percentiles.

CHAIR—Yes, percentiles of income.

Ms Vine Bromley—Yes, and that would be how the 36 per cent and the 52 per cent were worked out.

CHAIR—Yes, based across national averages. You talk about the private rental market, particularly the auctioning of rental properties. Do you mean there is a bidding market, basically, where someone says, ‘I’ll pay you \$100 more than you are already asking’? Is that the sort of arrangement you are thinking about?

Ms Vine Bromley—That is what happens. Rental properties are opened up, several people attend the viewing of a property, and the landlord will take the people who say, ‘We’ll pay another \$10 or \$20 a week rent.’ I do not think it goes up to \$100.

CHAIR—I think it might in Sydney.

Ms Vine Bromley—It probably does. Certainly, people are finding themselves in those kinds of situations and not being able to go any further. There might be 20 people at each rental opening. People on low incomes are just not going anymore because they just cannot find—

CHAIR—These are average properties and not spectacular properties?

Ms Vine Bromley—Houses in Darwin are pretty ugly really.

CHAIR—I quite like Darwin.

Ms Vine Bromley—We have a lot of very ugly houses. They would be just average rental properties. We are talking about median rents, so that would be the median range of properties that are around. Looking through the papers on any weekend, you will not find anything under about \$300 a week.

CHAIR—For a two-bedroom—

Ms Vine Bromley—For a two- or three-bedroom property.

CHAIR—In relation to social housing, other than a significant proportion of Indigenous households, which, it is quite clear to me, makes up a large part of public housing in the Territory—

Ms Vine Bromley—Public housing these days, yes.

CHAIR—who else is in public housing in the Northern Territory? I ask that question because we have had quite some evidence about a change in profile of residents of public housing across Australia. We first received it in New South Wales and I think it has been effectively reinforced across the rest of Australia. So there has been a change from 20 years ago, when low-income families could perhaps have looked down a long line—it would have been a fairly long line—and thought, ‘Yes, one day I can work towards home purchase,’ to groups that are marginalised in the extreme, such as people who have been deinstitutionalised and have nowhere else to go, the highly marginalised elderly in particular, and a group of young people who fit that same sort of highly marginalised profile.

Ms Vine Bromley—We are certainly moving towards accommodating only those marginalised people—those who are victims of domestic violence, those who have multiple levels of disadvantage and disability and certainly older people or seniors who are really low-income people and do not have assets. However, traditionally in the Territory public housing was available to all—and it was public housing, like public transport and public schools—but in place now is very much a welfarised system. We still do have significant numbers of people who have lived in public housing all of their lives. Their children have now grown up and gone away and those people are still in what was the family home. Significant efforts are being made now to try to move these people either out or on to other, more suitable housing.

The only public element of the new housing that is going into any of the new suburbs that are opening up in the Territory right now is for seniors, because they are nicer public housing tenants and more acceptable to the community that they will be living in. I think that really needs to change. I think we need to be more accepting of our diverse population. But it is mostly seniors who are generally being moved on from a three-bedroom

home or something like that—that is, if they are there on their own and still eligible for public housing—into newer accommodation. We are definitely seeing the ‘welfarisation’ of margin people in public housing, and the waiting lists are increasing monthly in all centres of the Territory.

It is difficult for people who are coming out of crisis or who are homeless. We do not have very many one-bedroom units that are suitable for young people to live in or move to. Where young people live is not necessarily where pensioners are happy living. We also have a situation where guesthouses or boarding houses are now very few and far between in Darwin. I do not think there are any in Alice Springs. The gentrification of those areas is actually forcing those people out, and they are people who have been there for 20 and 30 years and have roots in that community. Those people are not a problem in that community, and they are going to be losing what was a stable home life.

CHAIR—What has been the response of government to your recommendation to Territory Housing that they pursue and encourage the operation of affordable housing companies?

Ms Vine Bromley—We are still waiting on their response. This has been out since January last year and we are still—

CHAIR—January 2007?

Ms Vine Bromley—Yes, January 2007. There is something being worked on. We have some interest from Community Housing Ltd, based in Victoria, in developing some new models in the Territory. Even if that is a demonstration project then I think that would be a good thing to do. At our forums that were held in March we had Mike Myers from the Queensland Community Housing Coalition come to talk about how you might develop a housing company for Darwin.

CHAIR—He was a witness in Brisbane.

Ms Vine Bromley—He was very well received by our audience. We are trying to plant the seeds of some exciting ideas, and he met with Territory Housing while he was there. We are trying to push right now to get that framework underway to see what it will look like and how we will be able to use it. Certainly we believe that NT Shelter has a role in helping to facilitate that development.

CHAIR—When you were talking about land release, you mentioned a development called Larapinta Stage 4 in Alice Springs—40 blocks released in November 2004. You said they were still not fully developed. Why is that? Is it because of a lack of demand? What would be the reason?

Ms Vine Bromley—The cost of developing the land. They have released another stage of that, but the other stage is not fully filled. I do not think it is a lack of demand. I do not know. They tell me that it is very expensive to release the land, and then there are some issues with where that land is. I believe there might have been a sacred site where it was located. It was part of the foothills area of the ranges there. I think some negotiating had to go on about what happened there. Land is really hard to come by in Alice Springs because of native title constraints and those sorts of things. So there are real constraints in Alice Springs about opening up land. You can fly over the top and think there is land everywhere, but it is actually fully locked up.

CHAIR—And just so that I understand the release process: you say that the NT government does not own significant land resources in the Territory but it controls its release. If we are talking about something like Larapinta Stage 4, who owns that land and therefore ‘approves’ its release?

Ms Vine Bromley—I don’t know how it all works. They say that they do not own land and that they control release. Then they say it is all part of the budget. But they must have to purchase the land or acquire it from traditional owners. I do not know. Who owns all that land out there? How do you acquire it? What if it is not part of a township area that has already been drawn up? I don’t know how they actually form the land. At the moment in remote communities a lot of people out there are actually drawing up the areas for the township leases and those sorts of things, so the release of land in areas that are not already charted or whatever must be the thing that actually holds it up. I do not think local government owns land in the Territory. Certainly Palmerston does not. Darwin City Council has a little bit but not very much.

CHAIR—We got correspondence, by way of engagement in the inquiry, from the Northern Territory government, so we might seek clarification from them on the land ownership and release process by way of further correspondence. Thank you very much for that.

Senator KIRK—I was concerned when you talked about this introduction of antisocial behaviour regulations. Are they Northern Territory government regulations? If so, how long have they been in place and how exactly do they operate?

Ms Vine Bromley—They are Northern Territory laws. They were introduced probably about two years ago. They are a way of saying to people that they need to sign an antisocial behaviour agreement. Territory Housing will go to people and say this if they have caused any trouble at all—say, if neighbours have ever complained about them. In the process you can declare your house a dry area, which means you have a big sign out the front to say this. Some people have actually taken up that option, so they can control how visitors come to their home. A lot of Indigenous people do have a lot of people from outlying areas come and visit their homes, and that can put their tenancies at risk. If you have 20 or 30 visitors at a time, that can actually create a lot of disturbance to your neighbours—and I can understand that. It is part of the mobility that happens in the Territory. I would think you would find that 90 per cent of those antisocial behaviour agreements are set up with Indigenous tenants in both Darwin and Alice Springs.

Senator KIRK—Once you have signed one of these agreements does it follow you if you move to another house?

Ms Vine Bromley—Yes, but you are not likely to move. You are more likely to find yourself in breach of that and then needing to go to the next stage, which might be eviction. Often people will just vacate the tenancy and not go to eviction. We cannot find any actual statistics on eviction. When these things were introduced, we asked if there would be a process of evaluation to see what they would actually lead to and whether they would improve people's behaviour or whether they would lead to an avenue by which it would be easier to evict people. Also short-term tenancies are another way of getting rid of people who might not be ideal tenants. Even the idea of housing those most in need does not necessarily apply to the people who really need housing. They need living skills to live in urban areas and to be able to control their visitors and those sorts of things.

Senator KIRK—Are they the limited term or trial tenants?

Ms Vine Bromley—Both. People are actually signing up to a three-month tenancy in public housing.

Senator KIRK—You say there has been no monitoring of this. Has there been any government review as to the effectiveness or otherwise of this scheme?

Ms Vine Bromley—I do not think there has been a review, no.

Senator KIRK—You mention here you are concerned about the proposed reform of remote Indigenous housing under the management of Territory Housing from 1 July this year. Is there any indication as to how these antisocial agreements are going to operate in the context of the proposed reforms?

Ms Vine Bromley—We are told that remote area housing management will be under the same model as that in urban centres but we have not seen the actual policies about how they will be implemented. People live in remote communities. They are very small communities. They cannot be evicted from the housing there. People are always going to take them in. It just seems strange to me that those things would still need to be in place in those kinds of communities, although the people obviously need to have life skills programs delivered to be able to maintain a tenancy in a responsible manner. I understand that houses need to be looked after and if you cannot manage your housing then you need help to do that. Housing is basic to everything else—health, education, jobs and skills.

Senator KIRK—Currently these antisocial behaviour agreements do not apply in remote communities.

Ms Vine Bromley—No, they do not.

Senator KIRK—So somehow they are going to try to impose these upon people in remote communities.

Ms Vine Bromley—Yes. The idea is that people will not be paying the level of public housing rents in remote communities until such time as their standard of housing is at an equitable level—to warrant those kinds of rent being charged.

Senator KIRK—Will your organisation be involved in any way in the National Rental Affordability Scheme?

Ms Vine Bromley—No, because we are not housing providers. We would certainly like to see some affordable housing companies or things set up in Darwin and Alice particularly to access those new incentive schemes. We really welcome the focus of the federal government on these new initiatives. I believe the Territory needs to position itself very quickly to take advantage of the initiatives.

Senator KIRK—So far there is not very much indication that the government is positioning itself in order to take advantage.

Ms Vine Bromley—We are currently discussing with Community Housing Ltd, based in Victoria, a couple of demonstration projects. They suggested that, if we could find them some land and some non-government organisations—particularly church organisations have said that they could have some land—they could develop 50 dwellings with that land and that would start the ball rolling, I believe.

Senator HURLEY—Having lived in Alice Springs myself for some time—it was a long time ago—I had back neighbours who used to come in from the bush—they were not Aboriginal by any means—and spend the whole week they were in Alice Springs partying hard, day and night. I suppose everywhere there are problems with antisocial tenants, but some aspects of the Territory probably make the number of tenancies where you would get that kind of behaviour higher than you might expect. You mentioned people moving in, staying with people. I imagine that happens in both the white and the Aboriginal population.

Ms Vine Bromley—I would suggest that 90 per cent of the Indigenous clients are most likely to have numbers of people moving in.

Senator HURLEY—That brings up the other problem. In Darwin, for example, there is a lot of quite high-density housing. Darwin is another area that is constrained in how much land is available within the city. So there are quite a lot of high-density developments there. I imagine that the Aboriginal population, for example, would find it difficult to go into flats, particularly if they were moving in from outlying areas.

Ms Vine Bromley—Yes.

Senator HURLEY—Even quite small one-bedroom housing would be difficult.

Ms Vine Bromley—Inappropriate.

Senator HURLEY—So again there are extraordinary problems in the Northern Territory.

Ms Vine Bromley—However, we do have low-density housing areas in the northern suburbs of Darwin. There are areas, such as Muirhead, which is another land release beyond the Lyons development, which is currently underway. That was a Defence Housing Authority private development that was done in conjunction with another Canberra based company, whereby a suburb called Lyons was opened up out near the hospital. There is nothing affordable about that suburb at all. They promoted it as being done in conjunction with the Larrakia Nation, but the Larrakia Nation was one of the building companies involved. There are some Aboriginal artworks and there were some employment options there for the Larrakia people, but that was about all. Beyond that, there is Muirhead, which I think was another Commonwealth area; it was defence land. I think that will be a government release of land. That is an area, which is out towards Lee Point, where we hope to get some affordable housing development.

Senator HURLEY—What do you envisage by ‘affordable housing’?

Ms Vine Bromley—I guess people have different understandings of what affordable housing is. To me, affordable housing needs to be affordable into the long term. It needs to be more than just low-cost entry into the housing market. I do not know whether government can retain ownership of the land with only the house on it being able to be sold, or something like that. In that way, you would lower the cost that people have to pay to buy into the long term. It would be a bit like a retirement home, I guess, where somebody owns an area but only a certain percentage of it is able to be on-sold. That is one idea.

Another idea is for development to be undertaken by a not-for-profit housing company that would perhaps retain part ownership in a shared equity arrangement. It would be able to house people such as apprentices and key workers in industry, such as those in hospitality, who have low incomes but who can afford to buy into a shared equity product and then on-sell it later, with the housing company retaining a portion of it. I also believe that an ‘affordable housing’ company could develop and manage social housing for very low-income clients or those who are moving out of crisis and into a different kind of tenure. It could also develop social housing that it could sell as public housing to a public housing authority for that authority to manage. Options for rental-purchase, shared equity and public housing could be developed through not-for-profit housing companies.

Senator HURLEY—And you would envisage that this not-for-profit housing company could both build and maintain those houses without any extra subsidy.

Ms Vine Bromley—Without an ongoing subsidy, absolutely. I believe that some do operate that kind of a model. Inner West in Sydney and some of the Brisbane based organisations are doing very well. I hope that Community Housing Ltd, the one we are looking at to come to Darwin at the moment, can do those sorts of things. Yes, without an ongoing subsidy, but with government as a partner all the way along so that you grow

the cake of what is available—adding money and equity from government to build on what you have, but also adding a stream of borrowings through the private market to keep things going.

CHAIR—Just on the topic of community housing, the committee has been fortunate to hear from some quite interesting witnesses from a number of community housing organisations. We think the community housing organisation you are talking about appeared in Victoria.

Ms Vine Bromley—Steve Bevington?

CHAIR—No, that was not the officer concerned. At any rate, the *Hansard* of this inquiry—which are on the internet—for both Argyle Community Housing in New South Wales and the organisation we saw in Victoria last week may be of interest to you, given that your organisation is exploring these options. There have been some very interesting witnesses. There was also such an organisation in Western Australia, I think.

Ms Vine Bromley—Yes, Western Australia is doing pretty well.

Senator BERNARDI—I have a couple of questions regarding the number of households purchasing homes. Do you have figures showing the difference between Indigenous and non-Indigenous households? For instance, what is the percentage of non-Indigenous households in the Northern Territory that are purchasing their home?

Ms Vine Bromley—Non-Indigenous people purchasing their home?

Senator BERNARDI—Your submission says:

In the NT only 47% own or are purchasing their own homes ...

Ms Vine Bromley—And, of those, seven per cent are Indigenous.

Senator BERNARDI—So overall in the Northern Territory there is a much lower percentage of homeownership than across Australia.

Ms Vine Bromley—Yes.

Senator BERNARDI—I just want to clarify this. Does that mean 40 per cent of non-Indigenous people are purchasing their homes and seven per cent of Indigenous people are purchasing their homes?

Ms Vine Bromley—Yes, I believe so.

Senator BERNARDI—Can I take you now to the antisocial behaviour restrictions on rent. Does that only apply to public housing or does it apply to private rental housing as well?

Ms Vine Bromley—It applies to public housing only.

Senator BERNARDI—Do you think it is fair that tenants in public housing should have those restrictions?

Ms Vine Bromley—I think tenants in public housing need to be responsible for their tenancies—absolutely. Do I think it is fair that people should have to have these orders placed on them? If they are not being responsible in their tenancies, I guess it is fair that they have to have some sorts of regulations or intervention to make them become more responsible for their tenancies. Housing has to last people a long time. It has to last government, if it is government owned housing, a long time. People really do need to become responsible and I think that the implementation of life skills programs or things like that should be a follow-on for anybody having to accept an acceptable behaviour agreement to help them get the skills and learn how to live properly and not come under those kinds of regulations in the future.

Senator BERNARDI—But there is no evidence that you have provided to us that it is just being applied to all tenants irrespective. It is only those that have a demonstrable problem or have had problems previously. Is that right?

Ms Vine Bromley—Yes, I believe so. I believe it is only for people who have had problems.

Senator BERNARDI—So it is appropriate, then, that it be applied. To put this in the most basic sense, if you have a home that is built for a family with two or three bedrooms and you have 20 or 30 people effectively living there, the home is not going to survive in any reasonable state.

Ms Vine Bromley—No.

Senator BERNARDI—And the outcome of that is that the home is then going to be unfit to inhabit. Enormous public resources are going to have to be put into it, which could not be put into providing accommodation elsewhere. That is a reasonable premise, isn't it?

Ms Vine Bromley—It is a reasonable premise, but along with that should come an assistance package as well, I believe, that helps people to manage their tenancies better. I think that Territory Housing are actually leaning towards that. They have changed their structure and they have client support workers in place these days. They should be the ones referring people on to get that help to maintain their tenancies.

Senator BERNARDI—You mentioned before that 94 per cent of these problems are identified with Indigenous tenancies—is that correct?

Ms Vine Bromley—I believe it is at least 90 per cent, yes.

Senator BERNARDI—What percentage of Indigenous renters would have these sorts of problems?

Ms Vine Bromley—I really could not say.

Senator BERNARDI—A high percentage, a medium percentage, a low percentage?

Ms Vine Bromley—I think it would be a low percentage that really have a lot of problems. Once they have actually been in public housing for any reasonable length of time, people know how to live in town, and many of the people who are living in public housing have lived in the urban areas for quite a while.

Senator BERNARDI—What about some of the more remote communities? Who is responsible for the supply of housing in some of the Indigenous communities?

Ms Vine Bromley—It has traditionally been Commonwealth funds that have actually built those houses—probably funded the Territory government to construct, issue contracts for the construction and those sorts of things.

Senator BERNARDI—Does responsibility for the ongoing maintenance of them fall to the Territory government, the Commonwealth government or the communities themselves?

Ms Vine Bromley—To the communities. It has probably gone to Indigenous community housing organisations which have received CHIP funding on a case-by-case basis to actually do the maintenance. I think they get around \$2,000 a house to do the maintenance.

Senator BERNARDI—Is that adequate?

Ms Vine Bromley—No, it is not adequate. It is not adequate because the number of houses that are actually there has never been enough to meet the needs in any of those communities so you do have that massive overcrowding and you do have a lot of mobility between households. When you get that level of overcrowding in those communities, those houses decline rapidly. They are just not built for the kind of wear and tear that you get with over 20 people in a house.

Senator BERNARDI—So basically more housing needs to be supplied.

Ms Vine Bromley—There needs to be more housing and there needs to be those living skills programs actually put in as people move into new housing. There has to be with the new arrangements of funding I believe a significant amount of housing that actually goes into the communities that they choose to spend the new money in so that you actually make a difference and you make enough housing to meet the current need in one go rather than what we have had in the past, which has been four or five houses per community spread very thin in areas of the Territory. You were never able to catch up to the housing need that is there.

Senator BERNARDI—You talked about not-for-profit organisations. There are Indigenous companies that have hundreds of millions of dollars in some instances on deposit with the banks. Wouldn't they have a role in supplying the appropriate accommodations for Indigenous people?

Ms Vine Bromley—I believe they do.

Senator BERNARDI—They have a role?

Ms Vine Bromley—I believe they definitely do.

Senator BERNARDI—Why aren't they stepping up to the plate?

Ms Vine Bromley—I do not know why they are not stepping up to the plate and I do not know why royalties that are accumulating in bank accounts, with land trusts and those sorts of things are not being invested in the infrastructure in the communities which are meant to benefit from those funds.

Senator BERNARDI—That makes two of us.

Ms Vine Bromley—I do not know what happens to that money or who makes those decisions, but I find it very frustrating that Indigenous people and communities that do receive those royalties and do have millions of dollars are not investing in their own communities and for their own people.

CHAIR—Just to correct the record, the organisation from whom we heard in Victoria was Common Equity Housing. Again the *Hansard* record is interesting on some of those issues for the interests that NT Shelter has. I again thank you very much for meeting with the committee today and for coming all the way from Darwin to do that. We are very grateful for your attendance and for the material you have provided the committee with. We appreciate your time.

Ms Vine Bromley—Thank you very much.

Proceedings suspended from 12.04 pm to 1.00 pm

STRETTON, Mr Hugh, Private capacity

CHAIR—It is my pleasure to welcome our next witness.

Mr Stretton—I appear as a private citizen but if you want an academic I think I still am a visiting research fellow in economics at the University of Adelaide.

CHAIR—Thank you very much for providing us with a copy of your submission. Would you like to make some opening comments and we will go to questions from members of the committee after that?

Mr Stretton—My opening comments are already in summary form in my submission to you. The great importance of it I think is to deal with problems of competition both for money for housing purposes and for the houses available which have never, in my opinion, been as well resolved as they could be in this country's performance. This is an effort to take a step forward by introducing into the mix of, speaking very crudely, the three kinds of housing acquisition that we have at present of own it, rent it from a private landlord or buy or rent it from the government, a particular style of housing which should have the special capacity that it could not be inflated. It could not contribute to the inflation of other housing and might well moderate it somewhat, oddly enough, by competitive reasons. That is its purpose.

I would think that the most vulnerable of our people, not the poorest, not the most desperately vulnerable, but the folk who cannot quite buy a house of their own privately in the market would be good owners and users of housing, good neighbours and everything else if they could. Efforts have always been made to look after them through public housing agencies of various kinds. This is another kind of housing. Its purpose would be to introduce a line of new houses produced by a public trust. There would be price control by contract not regulation and over a long time with none of the resources for shifting income upwards that come when private investors can take their rents off their costs of borrowing from the banks—negative gearing. That seems to me to increase the effective reward of the richest of the contributors and that is reflected in the competition for land and prices and so on.

This is a comparatively simple and, I would hope, a very effective method. It would put in a counterforce which would allow opportunities, not for the poorest, who would probably rely on public housing as we have at present allocated according to need largely, but rather would supply a steadfastly low-priced flow of housing to what you might call the second quarter of the housing population going upwards in ways that would produce housing as good really as the quarter above them—the privately supplied homebuyers—and would provide some competition with prices. I would expect if this were done, as ideally described in this bit of paper, that there would be some quite depreciative moderation of quite a lot of, let's just say, the third quarter upwards of housing prices. It would not do much about the real rich operating independently of that. I do not know that I need to say any more. That is its purpose.

It is on quite long experience here, but I also used to visit Scandinavia and other parts of north Europe and follow what they were doing in this area. Some of them were doing very daring things—what you might like to try here sometimes, and sometimes not, but, still, along the same sort of realistic lines, understanding that markets work and you want to work with them wherever you can for most purposes. They do not work for some purposes, and there are perfectly good public and charitable substitutes. If you really want them you can find and have them, if you can get some extraordinarily perceptive and compassionate senators such as face me across the table and the public to vote for them.

CHAIR—Thank you very much, Professor. Regarding the paper—and I think your book was published in 2005—has there been any response from government at any level to the proposition that you advance? I understand you have extensive experience in the housing sector as well as your experience in academe, but has there been any response to this proposition?

Mr Stretton—Not that I can think of. I might not remember some comment about it, but no taking it seriously that I know of.

CHAIR—It is a different proposition than many of those that we have considered in recent weeks. We have, though, as you will have heard me say earlier today, had a lot of evidence particularly from community housing organisations, who seem in a lot of cases in Australia to be running very good systems, very good businesses, in many ways. Do you have a view about the value of that sort of approach to provision of housing?

Mr Stretton—I am not sure that I know enough about what you mean—that is my ignorance.

CHAIR—No, not at all. It seems to me, to summarise very briefly, that community housing organisations purchase properties in a range of areas for the purposes of providing affordable housing to those who would otherwise be unable to obtain that sort of housing. Its beauty, in part at least, lies in the fact that tenure is reasonably guaranteed for the individuals. I am not sure what you would actually have to do to be thrown out of a community house, to be honest. The members of the housing organisation are responsible for the management of the properties, their upkeep and so on, so they do actually make a contribution back into their own community organisation, as it were. The houses are not all located in the same place; they are often in diverse locations. It seems to me, to some degree, to reflect some of the concepts that your proposition advances.

Mr Stretton—Yes. It may well work in some of the same ways, certainly. The Norwegians built quite a lot of big blocks of flats—50 or 60 flats—filled them with tenants and then made those tenants the perpetual controllers of them, to admit new tenants, to discipline the place and all the rest. There were financial constraints on it. There have been other experiments like that. I do not know of any that have worked terribly badly—some have worked well, but what you have described sounds as if it might work well too. I just would wonder about any steps to protect it from ordinary market competition—

CHAIR—That is exactly what I was going to go to next, because unlike your proposition, which suggests that if you formulate an arrangement where prices cannot rise faster than the CPI then you do maintain the levels of affordability, the community housing organisations are buying in the market, as the market stands, without that constraint. So perhaps you could expand for us to some degree on how your proposition would have a subduing influence on house price advances.

Mr Stretton—Looking at the whole proposition, including that feature of it, it would reduce the number of households wanting to buy a private house from a private vendor. It would reduce the margins that the private vendors could make perhaps, if it were operating on what you would call a market scale. That has gently depressing effects on what landowners can get from developers for land and so on. I thought it would have a useful depressive effect all around. The existing housing trusts and commissions do a good deal of the same. You would have much nastier scandals if they were not there, although they are losing, as you know better than I do I think, some of their share and some of their influence as we speak.

It is also very important—I need not say so really—and it is not always perfect, to have your housing policy making and management done by people whose primary purpose is beneficent and who do not have a financial interest in what they are doing. Doing such work without more than a salary for what they are doing sorts them out a bit from the rest of the population. Not always admirably, you need some sharks in the housing trust business, as I learnt. You want to have sharks on your side.

CHAIR—On your side preferably, yes.

Mr Stretton—I am not sure what I can say further.

CHAIR—That is very helpful. That clarifies for me, thank you. We will go to other questions.

Senator HURLEY—In your submission you concentrated on getting people into homeownership in one form or another, including rental. It seems to be concentrated on ownership rather than rental, is that right?

Mr Stretton—I think it said rent, rental purchase or straight purchase. I would expect those proportions to vary a bit with demand.

Senator HURLEY—How would you manage the queue? Would it be a straight queue—first in, first served? Would there be any sorts of conditions under your proposal?

Mr Stretton—I would leave that to the people running the enterprise—and I am not making fun.

Senator HURLEY—Yes.

Mr Stretton—This is not likely to be of much interest to the really hard-up, because you are asking them to pay rent or buy before you let them in. If they cannot do either of those things, you say, ‘Go on down the street to the housing trust or go and see the Catholics, Vinnies or somebody.’

Senator HURLEY—Nevertheless, I think it would be a popular proposal because there are a lot of people who cannot afford to get into housing and who, as an alternative to paying quite high rents in the private system, would find it a very attractive proposal.

Mr Stretton—I think the most neglected one and the most interesting one is the hire-purchase method. It is going to cost you more than just rent through the years when you are paying for it, but then it will cost you a lot less after that.

Senator HURLEY—And you are seeing this as new housing developments?

Mr Stretton—Yes, I would. I would like to discourage any purchase of housing stock into it unless there were particular reasons in particular cases, because that is weakening its market effect. I would like it to be there as a dangerous competitor.

Senator HURLEY—Are you envisaging the scheme—I suppose there is always the possibility of some government subsidy for the cost of the land—to be basically a stand-alone model?

Mr Stretton—I suggested in this that the houses are priced at real cost. How easy that would be to sustain would depend a lot on the local circumstances. There are big country towns and all sorts of places where the land per acre is not wildly expensive and that would not be a serious hindrance. But to start it going within the city of Melbourne or somewhere like that you might want to introduce some element of land price subsidy into it or to scrounge around to find a source of land that you did not have to buy because it was already in some sort of public ownership.

Senator HURLEY—In terms of buying land on, say, the outskirts of Adelaide, what is your view about putting people on that outer commuting range with maybe not much in the way of services or infrastructure? Do you see that as a potential problem?

Mr Stretton—I will answer you in a moment, Senator. I cannot resist saying that my most vivid memory is of going up north from this town with Alec Ramsay to interview the farmer from whom he bought the site of Elizabeth that day.

Senator HURLEY—A historic moment.

Mr Stretton—There was no possible intention of that being only a centre for housing. It was a new industrial centre, which was at least as strong an impulse for the state government as any housing considerations were then. They were desperate. This was the poverty-stricken state. There was not enough industry. There was not enough big investment from people like that, and Elizabeth was really designed to attract them first and foremost. A secondary reason, although it turned out more important in the long run, was to increase the attractions for such industrial investors by making sure that wage costs were moderate so they could house their workers within reach at a reasonable cost and so on.

Senator HURLEY—So this would address the issue we were talking about earlier about mining communities. I guess this would be an ideal model for somewhere like Roxby Downs or, indeed, Port Pirie or Whyalla.

Mr Stretton—Yes. I would like someone else to do that. My father chanced to have been the royal commissioner on an inquiry into one of the west Victorian mining towns which was poisoning all its occupants with coal dust or some damn thing. I am scared of mining!

Senator BERNARDI—I am just going through your submission. Your proposal actually requires several levels of subsidy. It is not just at the initial construction sale of the property—

Mr Stretton—I am sorry. I had not intended it to include subsidy. It includes the investment money, certainly—a lot is state investment money.

Senator BERNARDI—Yes, but your proposal talks about annual interest rates being made available at inflation or at two per cent. That is clearly a subsidy on the existing market rate—

Mr Stretton—The whole scheme is designed to avoid market rates of everything else as well.

Senator BERNARDI—I guess my question is that you are making a number of subsidies at various levels. One is, firstly, for the market value of the property or the value of the property for initial purchase.

Mr Stretton—Yes.

Senator BERNARDI—Than you are advocating for a—

Mr Stretton—I am suggesting that the initial purchase price has certainly got to be what it costs—

Senator BERNARDI—At a reduced rate rather than at the market value. I understand that. But then you are also suggesting—and correct me if I am wrong—that loans be made available to the purchasers at the rate of inflation or two per cent, whichever is lower.

Mr Stretton—I remember the purpose for which I suggested that loans be made to them.

Senator BERNARDI—On page 60 it says:

Sales require deposits, which the states can vary or adapt to the buyers' means. The buyers owe the rest, with annual interest at the rate of inflation or at 2 per cent whichever is lower.

So there is an advocacy for a subsidy of an interest rate.

Mr Stretton—A submarket interest rate, yes. It is only a subsidy if you think the interest rate ought to be there. Anyway, I see what you mean.

Senator BERNARDI—But it is significantly less than—

Mr Stretton—Than especially the banks would charge you for lending you that money.

Senator BERNARDI—The third level of subsidy—and I will use that word because that is how I see it—is that, for those who rent, their first seven years of rent will effectively form their deposit for the purchase.

Mr Stretton—If they are on the rental purchase program. It may not be the same rate of rent if they are just in as renters.

Senator BERNARDI—So it may be at a different rate of rent?

Mr Stretton—It certainly has been for the housing costs.

Senator BERNARDI—In a previous comment, you said that this is not for the Housing Trust type tenant. The people who are really poorly off can go to the Housing Trust; this is for a different type of tenant. How would your rental proposal work?

Mr Stretton—I will correct a false impression I probably gave you by mistake. The Housing Trust has rental purchase properties. What you pay them per week or month for that is a good deal more than what you would pay if you were a simple renter.

Senator BERNARDI—And that would be the same under this proposal?

Mr Stretton—Certainly, yes. It is paying the capital off over time.

Senator BERNARDI—But the whole amount of the rental payment paid for these rent-to-purchase properties would accumulate and go towards their deposit—is that right?

Mr Stretton—Yes.

Senator BERNARDI—So there would be not just the excess payment—

Mr Stretton—There is an element in that rent, obviously, that is paying the costs of whoever is running the business and has to be paying for the land, the building costs and that sort of thing. It is how you time it and stage it over the years.

Senator BERNARDI—Have you been able to put forward any figures as to the approximate cost per household or per dwelling constructed over the course of time?

Mr Stretton—I easily could, but I have not done any more than is in that submission for this purpose. But I do not have any doubt that it would work out plausibly along those lines, as I suggested.

Senator KIRK—Thank you very much for your submission, Professor. My questions really follow on from what Senator Bernardi was asking you. I am trying to understand the interaction between your scheme and the existing Housing Trust arrangements. Would you see that people who are currently in the Housing Trust would perhaps be attracted by this scheme and want to move across into your scheme?

Mr Stretton—They might.

Senator KIRK—The way you described it was that many people who are very poorly off would not be able to afford to move into your scheme. Would you therefore see a freeing up of Housing Trust properties, which would then perhaps be made available to people who are very poorly off—for example, people who are homeless currently?

Mr Stretton—Yes. Certainly this scheme is designed for people who can pay. I think it would convey a few benefits to the various organisations—the Housing Trust with part of its activities, the Red Cross, Vinnies and all those benefactors. But this one is paying for itself in the long run, for a good purpose: so that you can get the Commonwealth to print the money for it without too much misgiving.

Senator KIRK—Of course, as we all know, there has been a decline in public housing stock over the years. It seems to me that there is going to be less pressure on existing public housing stock as a consequence of your scheme. If individuals who would perhaps otherwise have gone into Housing Trust places move into your scheme—if they are able to afford to do so—then one would have thought that it is freeing up the public housing stock, given that it is limited and reducing.

Mr Stretton—If it had that effect, if it took the better-off, the more optimistic or others out of Housing Trust into this scheme, yes. I do not know what the present waiting list for people in serious distress is with the Housing Trust, but it would certainly make it possible to reduce any such pressure.

Senator KIRK—Given that, as you say, you can currently rent to buy, if that is what you call it, under the Housing Trust scheme—in other words, you pay a greater amount of rent in order to purchase a property—is your scheme a better option for people to move into? Would it not be more expensive under your scheme than under the existing Housing Trust rent-to-buy arrangements?

Mr Stretton—I think the rental purchase scheme would be much the same in both. I am not thinking of exactly what interest rates they would respectively be charging. The Housing Trust scheme is my model for that. It used to work well.

Senator KIRK—Finally, you made this comment on the front page of your submission:

And experience of the new supply might prompt some reconsideration of the justice and market effects of our current ‘negative gearing’ of private house purchase and sale.

What do you mean by that—particularly the part about the justice and market effects of the negative gearing regime that is currently in place?

Mr Stretton—Where is that?

Senator KIRK—It is on the front page of your submission, just above where it says ‘program’. It is the last sentence. You are talking about the two main purposes of your proposal. I thought that you were making some sort of comment in there about the justice and market effects of the negative gearing that is currently in place. What are your views in relation to that?

Mr Stretton—With this running on such a scale, people wonder why the moneylenders should take such a great profit out of it. Knock it off their costs. The Commonwealth and that states between them provide the same credit for next to nothing. Why should you further enrich private vendors of houses who also want to knock their credit costs off their taxable returns?

Senator KIRK—So you think that you should see a reduction in the amount of negative gearing that is going on in the private rental market?

Mr Stretton—I have my doubts about it. I do not like that arrangement anyway.

Senator KIRK—So you are saying that you think that it would perhaps lead to a better outcome.

Mr Stretton—If what you are buying is all South Africa’s coalmines or something, it is reasonable that the cost of your credit should be taken off your taxable obligations if you are a banker.

CHAIR—I want to ask one question about what happens at the time of disposal of the property if the owner wishes to leave the property and dispose of it or if the owner dies. How does the property move in succession?

Mr Stretton—You have detected a slight weakness in my text. I have left it with the assumption that you can give this to kin; you can bequeath this.

CHAIR—I see.

Mr Stretton—I knew when I left it like that that artful bastards would find some cunning trader and arrange to leave it to him and be paid 10 years in advance or something like that. So some better protections could be put in place. What I meant was that it goes to the family; it stays in the family—that sort of thing. Or it could be given over to charitable purposes or something like that. If it is to be sold for money, it may only be sold back to the original vendor trust at the purchase price. With reluctance, I put in a bit of a saver, so that if there has been serious improvement to the house or serious debility then the same purchase price might be inequitable and there should be some provision for having it adjusted—perhaps by an independent party.

CHAIR—Coming back to the question of the succession issues, which I must say is not my strongest area of the law, would you envisage that the inheritor would have to fall in the same category of tenant as the—

Mr Stretton—Yes. The original contract would have to provide for that.

CHAIR—So if your kids had run off and made lots of money and could well look after themselves, then you would not see them inheriting a property such as this.

Mr Stretton—I was not thinking that you could possibly provide against that. Other principles would—

CHAIR—I wonder how you would do that.

Mr Stretton—That might happen, yes. But, if they inherited it, all they could do with it would be live in it or sell it back at that old original price. There would not be great harm done, one would think.

CHAIR—Okay. I understand that.

Mr Stretton—They might convert it into a nightclub.

CHAIR—I suppose it depends where it is, really.

Mr Stretton—Yes.

CHAIR—You are obviously envisaging diverse locations, Professor. That covers most areas that I wished to pursue. Professor, thank you very much for coming today.

Mr Stretton—Thank you very much for asking me.

CHAIR—Thank you very much for your submission and for assisting our inquiry. We really appreciate it. We are very pleased to have had the chance to visit Adelaide, and it is a great honour to have had you attend.

[1.30 pm]

BAILEY, Mr David Loudon, Chair, Policy Committee, South Australian Division, Planning Institute of Australia

KELLY, Ms Kirsty Michelle, State Manager, South Australian Division, Planning Institute of Australia

CHAIR—Welcome. Thank you very much for attending today. I invite you to make an opening statement and then we will go to questions from members of the committee.

Ms Kelly—Thank you for giving us the opportunity to give evidence today. As you would be aware, the Planning Institute of Australia made a submission to the inquiry at a national level and gave evidence earlier in April in Canberra. So it is not our intention today to go over matters that were in that submission or discussed in Canberra but rather to give you some insight into how the Planning Institute sees the situation of housing affordability in South Australia.

In South Australia we represent around 450 planners, which is about 10 per cent of the overall membership of the institute nationally. Around half of our members work in local government, 30 per cent work in the private sector and the remainder in state or Commonwealth governments or in universities. Planners across all sectors have various roles in housing affordability. When we talk about housing affordability from a Planning Institute perspective, we are looking at where households are paying up to 30 per cent of their income towards their mortgage or rental payments.

In South Australia over the past few years there has been a strong emphasis on housing affordability but, in particular, on the provision of affordable housing as distinct from housing affordability in general. It is currently being embedded into planning policy, with the introduction of policy modules to provide for 15 per cent affordable housing in major developments. Planning policy that encourages the development of affordable housing is also to be embedded within development plans. New modules have just been released this April by Planning SA to go into the state's Better Development Plans, which provides policy modules that councils can select to include into their local development plans to address affordable housing components. The issue of affordable housing is slightly different to the issue of housing affordability. The focus in South Australia to date has probably been more on providing affordable housing stock rather than on the general question.

The way that we see housing affordability is that it is around not just the price of the dwelling or how much rental it attracts but also other issues that need to be taken into consideration concerning the longer term affordability of that accommodation. That relates to housing being in reasonable proximity to people's employment or employment opportunities, access to public transport and other sorts of services, such as schools, hospitals, shops et cetera.

We also see energy efficient design as being a key part of that, particularly heading into the future with issues around climate change. Appropriate types of housing and diversity of housing to meet the different needs of people and targeting products that also meet different sectors of the market, particularly some of the higher needs groups, including first home buyers, migrants, retirees, people with disabilities and other sorts of people, are all key considerations in affordable housing.

We have identified that there are two key roles that planners can play in that. One is facilitating the provision of sites for housing in the right locations and the other is in providing an efficient and transparent approval process for those houses to be going through the system. The first one is really about a quality strategic planning and policy development process that needs to be undertaken collaboratively with infrastructure agencies, local government, industry and the community—that is also assuming the state and federal governments in that. Where those sites are needs to be identified. They need to have appropriate zoning. There needs to be a suitable policy that enables the appropriate development in those locations. We also need to develop detailed policy that addresses issues such as sustainability and the diversity of housing stock so that we are getting the right type of housing in the right locations. So land supply is really only one part of that equation. There certainly has been a lot of talk in the past about needing to release more land, particularly at the fringes. That is one part of a potential solution, but it is not the only part.

As I said before, access to employment and services is really important, particularly when you look at the distribution of people's household income. So we are looking at the likely impacts of peak oil, continuing fuel price rises and climate change policies that are likely to be coming through. If we focus our affordable housing

at the fringe of the cities, those are the people likely to be most vulnerable to the impacts of those sorts of developments and policies.

The second role that planning plays that I mentioned is in development approvals. In South Australia in some locations, in some councils or in some areas of councils and for certain types of development the process can be unnecessarily complicated, difficult and lengthy. This is often where public notification is required and where government agency referrals are required. There is also a large amount of minor type of development in the system here that is currently processed but that could be dealt with in another way, such as a track based assessment coming out of the Development Assessment Forum leading practice model. That would reduce the impact on the development system. We believe that the state government is going to announce something about this fairly shortly—within the next two weeks we believe—in terms of the state planning review that is underway at the moment. So that is likely to be part of that process which will help relieve some of the pressures on the development system at the moment.

So delays in approvals do have some impact on the cost of development but they can also frustrate the process and the parties involved. Sometimes those issues are quite significant as well. Adding to that, and really often the cause of some of that frustration, is the shortage of planners, particularly within development assessment. In South Australia the Planning Institute received a grant from the local government research and development scheme to undertake a study to look into the human resource side of development assessment. We commissioned Colliers International Consulting Services to do that on our behalf. That was a survey undertaken of councils across the state.

The survey found—it is quite a large volume, and I can provide that to you after this so you can review it if you like—that there was a significant churn of staff through DA teams, with 63 per cent of planning positions falling vacant during the year, which equates to a complete turnover of staff every three years. Obviously some people stay for longer than that and others stay substantially less than that. That is quite a serious problem. That is combined with quite a shallow pool of experience, with 30 per cent of planners working in DA teams in local government having less than two years experience and 50 per cent having less than five years experience. In DA in local government having local experience is really important. So probably more alarming than those statistics are that 48 per cent of planners have been in their job in their current council for less than two years, with 75 per cent having less than five years within that council.

On top of that churn and the limited experience of staff, 20 per cent of vacancies for planners have remained unfilled and those that were filled were often filled with people who are less experienced than the position sought. So that 20 per cent ongoing vacancy rate is leading to quite significant backlogs in many councils, which is slowing down the development approval process and contributing to housing unaffordability in some instances.

That study also found that the skill shortage was not just in planners but also, more significantly, in planning support and administrative staff with a 67 per cent increase in support staff needed to address the current workloads. That was quite an alarming statistic that came out of that study. It is one which we believe can be remedied reasonably easily and quickly given that the qualifications for planning assistance only take one year of study to obtain, so there is some work going on at the moment to deal with that.

The Planning Institute is really keen to tackle this issue head on. We have initiated a development assessment task force in South Australia in partnership with Planning SA and the local government association and we are also talking to other industry groups such as UDIA and the Property Council. We have developed an action plan for that and are looking at working through the various means of dealing with the shortage of planners and the delay it creates in the system which has flow-on impacts on housing affordability. I will close on that point but I know there are lots of issues that might come out in further discussion.

Senator HURLEY—In terms of the affordable housing—the 15 per cent that is being set aside in larger developments—do you feel that is a good way to address the provision of affordable housing? Do you think it will be effective?

Ms Kelly—It is a positive step forward. It is divided between 10 per cent affordable housing and five per cent high-needs housing and it is negotiated through Housing SA. It is certainly not the only way to deal with it though.

Senator HURLEY—Do you know of anywhere else where that system is in place?

Mr Bailey—I think the Australian Housing and Urban Research Institute is speaking later but that is the South Australia group. The New South Wales group produced a paper, which we do not think the South

Australian group mentioned, called *International practice in planning for affordable housing: lessons for Australia*. That basically took a snapshot of what is happening in the UK, the Netherlands and a few other places. They analyse that with respect to its possibilities for Australia. It is about 120 pages long and I confess I have only skimmed bits of it. I would say it is gold in terms of trying to work through that kind of question.

It is correct to say that it is a very good start. It is good to have a target to aim for. It is fair to say that the government has had it here for about three years in South Australia and primarily it has been applied on government owned land. Planning SA has released a guide for affordable housing policy in development plans because, as you would appreciate, state governments generally across Australia are trying to consolidate or make metropolitan areas more compact. So while there is a certain degree of fringe development, they are wanting to intensify the middle suburbs. Invariably that involves changing the planning rules to allow more intense development. There is a term called 'upzoning', and where land is upzoned for more intense development the rezoning process should ask the question about how affordable housing is going to be provided as part of that.

Senator HURLEY—That was where I was leading to. I used to live in a fringe suburb and I know a lot of the people who were buying in the new developments were unhappy about the requirement for affordable housing being included in their new development. The way they saw it, it would include people who are poorer and probably more undesirable. They saw, quite rightly, that there would be more people like that in the fringe developments than in the city where wealthier people lived. They were unhappy about the inequity of that. Do you see that it would be applicable in much smaller developments?

Mr Bailey—There is a rule of thumb, what is called a salt-and-pepper approach, of just a small amount intermingled through developments. It is a little bit anecdotal but some of the housing trust properties have had more high-needs people in there who have tended to have more social issues. A concentration of that leads to all sorts of social and economic issues in an area. Effectively trying to mix up affordable housing, which is not necessarily high needs but rather people who do not earn as much income and who are struggling to buy a house, makes more sense than concentrating them all together.

The other point I would just make is that this guide also suggests that the policies for local council planning controls should encourage or envisage the provision of affordable housing, which means that the rules the local council uses to assess whether or not an affordable housing proposal should be approved should envisage whether or not, in principle, it is appropriate—close to shops, train stations and that sort of thing. Whilst there may be angst from some of the locals about affordable housing bringing down the neighbourhood, the actual rules should envisage that the social mix where affordable housing is proposed is appropriate. People should have a house.

Senator BERNARDI—I have a couple of questions about affordable housing, because it does not simply relate to the purchase price of housing. You have acknowledged this in a number of other areas, but are you saying that 15 per cent should apply to rental properties within a development as well? Is there a balance between those that should be rental properties and those that should be available to purchase?

Ms Kelly—I do not think it specifies the mix in the government policy at this stage.

Senator BERNARDI—But could it all be affordable homes for sale? Could they all be at the 15 per cent?

Mr Bailey—I think that is a good question to ask of the state government.

Senator BERNARDI—They do not like answering our questions.

CHAIR—We invited them. They declined the opportunity to share our company.

Mr Bailey—I am not a housing expert but, as I understand it, if people have access to housing and they have long-term tenure in it, they can do a lot more things with their lives in terms of work, finding employment and so forth. The current 15 per cent does not say it should be ownership or rental. This guide talks about, if a developer has some land that they are going to zone, envisaging providing 15 per cent affordable housing. They will need to negotiate that agreement with the Affordable Housing Innovations Unit of the state government.

Senator BERNARDI—Part of your submission talks about what is desirable for someone who is purchasing a home. It is not just the price; you are saying it is about location of shops, transport and those sorts of things. Given that most of the major development is taking place on the suburban fringe, there is a sacrifice of some of the services and amenities that are available. Do you have a further comment to make in that regard?

Mr Bailey—Yes. Certainly there is less access to services on the fringe. I think the rule of thumb over the last 10 years in Adelaide has been that about 50 per cent of housing has been developed on the fringe and 50 per cent infill. It would be interesting to see how the state government intend to reshape their planning strategy for metropolitan Adelaide to further focus on intensifying the central part of the city, because they do intend to do that. That will mean probably less development on the fringe and more intense development in the inner and middle suburbs where they ideally should have good access to public transport and services. But there has to be a mechanism as part of that rezoning process to facilitate the much more intense form of development to provide a mix of affordable housing as part of that.

Senator BERNARDI—Your submission essentially differs from others in that you are leaving it in the hands of private developers to undertake this redevelopment of inner city areas and to get rezoning from government. But then government is mandating a percentage of the development costs; is that right? You are not saying that government should be developing low-cost housing itself?

Ms Kelly—The government can be a player in it. We have the Land Management Corporation in South Australia, who are delivering a number of projects across the state, mainly in the metropolitan area. There is an opportunity for them to be involved in the delivery of affordable housing, certainly in their projects. They are one of the government agencies that are delivering affordable housing through the projects that they have, but only at the 15 per cent rate. We have spoken to them in the past. There has been a recent local inquiry into the role of the Land Management Corporation. Our submission to that was that we felt that they needed to be more involved, particularly in demonstration projects, in more urban infill locations and transit oriented development to lead and show the South Australian development industry what can be done in this area both in that medium- to high-density transit oriented development and in the components of affordable housing and sustainable housing. That addresses that issue, I guess.

One of the comments I have about affordable housing at the fringe is that it is, again, those long-term costs. When you look at what has happened on the northern fringe in Adelaide—which was largely Housing Trust area so it has a much higher proportion of Housing Trust properties and affordable housing than you would have in any other area—the overall cost to the community in the longer term of having an area like that has been quite significant, more than just dealing with the initial cost of housing purchase. A lot of the issues are around infrastructure and social services, the impact on people personally and their long-term future employment or unemployment, welfare and all those sorts of things. If you started to add in those sorts of factors, you might come up with a different story. While it might be cheaper to put people out on cheaper land at the edge in the first instance, those long-term effects, which the whole community bears the brunt of when you have communities that end up in social crisis, are things that we need to consider.

Senator BERNARDI—In practical terms, how do greenfields site developers go about providing 15 per cent affordable housing? Are they required to build cheaper homes or put transportable homes on blocks of land to make them available at a much lower cost? How does it work?

Ms Kelly—This has only just started, so, to be honest, I am not quite sure how it is actually going to come out. Most of what we have seen so far has been government projects. This policy that we are referring to is dated April 2008. We only came across it the other day and we are not aware of it transpiring yet. At Playford North, as part of the urban renewal project out there which is a cross-government agency project releasing land to the development sector, I suspect that part of the conditions of sale of that land will be an affordable housing component. In the policy it talks about having to then negotiate the provision of it as well as the tenure issues and the ongoing ownership with the housing.

Senator BERNARDI—Effectively the cost of that section of the land or the provision of that affordable housing is borne by the purchasers of the other 85 per cent; is that true?

Mr Bailey—It depends a bit on the price they pay for the land to begin with. If there is no requirement either in the planning scheme or in some other state government legislation to require 15 per cent of a broadacre parcel of land that a farmer owned and sold to housing developer A, then housing developer A is most likely going to subdivide it and sell it on the open market and maximise profits. They will not go near the affordable housing question because it just undermines their return. The example Kirsty mentioned in Playford North was in part state government owned land and in part privately owned land and they negotiated an agreement, I think, through the Affordable Housing Innovations Unit to provide a certain mix of affordable housing and so forth. In that case it was probably negotiated—but I could not categorically say—dependent on what the rules were that applied to the land and how much the developer paid for it.

Senator BERNARDI—What I am getting from your information is that it comes down to the availability of land really and the access to the land in order to provide more homes. We have had submissions today saying that over 90 per cent of broadacre greenfields sites are controlled by the Land Management Corporation and about 50 per cent—and I will stand corrected on that—of the available landfill development within the metropolitan area is controlled by the Land Management Corporation. Surely the answer to more housing affordability is to stop the LMC from adding \$100 million—once again, not my figures—to Treasury and allowing the release of land at lower prices so that people can build their homes on them?

Ms Kelly—It is about staged release. There is a metropolitan development program here that stages that release in time with infrastructure. One of the things—and it is just an observation of the way it tends to work in the land release—is that the developers release the land by stages so, by nature of the way that things are released in stages, prices are kept at a certain level. If they released 500 blocks at once, then the price would be a lot cheaper than if they released 20-block stages at a time as each stage sold out. This is probably an area that is not our area of expertise; it is just more of an observation.

Senator BERNARDI—Okay, I understand that. I am just trying to relate that there is no shortage of large developers. If they are all chasing the same parcel of land in a staged release, then naturally the price of that land is going to be higher than if there were more parcels of land for them to choose from. If that land has been banked and it is apparent that it has been—and as land is the major cost of providing affordable housing—there has to be a link and a responsibility back onto the state government in this case. Am I the only one that can see that?

Mr Bailey—To a degree I see where you are going and I understand the argument on this. There probably is a link but, as to how strong the link is, I could not say. I am sitting here thinking about whether we should support that.

Senator BERNARDI—I am not trying to get you into trouble.

Mr Bailey—There would be a link. If it is released at a faster rate, then it would be available at a cheaper price. That seems to be an obvious connection.

Senator BERNARDI—Yes, and anything else is window-dressing because to say ‘We are going to have 15 per cent affordable housing’ means that 85 per cent of the people are going to bear the cost of that because a developer is going to pass that on. The LMC could—

Mr Bailey—A developer would buy the land at a cheaper rate and would pay the LMC the—

Senator BERNARDI—At a cheaper rate? So if the LMC—

Senator HURLEY—Then taxpayers in South Australia would pay for it because the developer is getting it at a cheaper rate and the state government is not getting the income that they should.

Mr Bailey—It is probably just going to—

Senator BERNARDI—The profit. They are not profiting from other people’s desires.

Senator HURLEY—Yes.

Mr Bailey—I did want to comment that Griffith University did some research about three years ago indicating that, in the circumstance of peak oil occurring, the most at-risk people from, I guess, increased stress were those at the fringe. I am not sure if you have come across that bit of research but we could send you a link or something.

Senator BERNARDI—Was it *Working families*?

Mr Bailey—I cannot remember the name of it but that was the gist of it. I think a lot of it comes down to what the rules are that apply to the land when it is sold. If land is being rezoned for more intense development in inner middle suburbs to avoid fringe concerns, then those rules should say earlier on that a certain proportion of the formal housing should be provided and therefore the developers pay less money for it.

Senator BERNARDI—I am sorry to labour the point but I am still confused about affordable housing. Does it simply mean that the cost of the housing is going to be subsidised when it is sold or that it is going to be rented at below-market rent? I do not know how it is going to work.

Mr Bailey—I guess there are two scenarios. If you have land that is released at a faster rate on the fringe, and people can buy the houses at a slightly cheaper rate, then the capital value of those houses over time will increase and they will sell them down the track. Whereas, if there is a requirement that of those 100 allotments, so to speak, 15 of them are affordable and legal mechanisms are negotiated with the state

government's housing unit to lock that affordability in somehow, then those 15 houses would be more affordable in the long run. It would depend on what the mechanisms are and whether or not the arrangement is through a not-for-profit housing organisation or what have you. That gets around the issue, which I am sure you have heard, of people buying an affordable house and then making an extra profit when they sell it down the track.

Senator BERNARDI—So it is an ongoing management issue?

Mr Bailey—It is an ongoing management mechanism which locks in that that house remain affordable for whoever is going to rent it or what have you.

Senator BERNARDI—It is always going to be subsidised. What you are effectively saying is that it is always going to be worth less than market value.

Mr Bailey—Whoever rents the house, presumably from a not-for-profit housing cooperative or what have you, they get access to the house and the house is always available at a lower rental rate.

Senator BERNARDI—That is rental. But in the case of a sale, if someone wants to be able to buy their own home, under the affordable housing there are obviously going to be restrictions on how they can sell it later. I am just trying to work out the government's role. The government's role under this sort of model does not stop in the release of land. It is going to be ongoing in restricting the rights of people to sell their home if they have bought it at a reduced rate.

Ms Kelly—The detail is with the Affordable Housing Innovations Unit. I believe that they have developed some of these tenancy agreements, other contracts and things around how this works on an ongoing basis. It is probably something they need to provide you with the detail of.

Mr Bailey—Most of that would be rental of some form. It would not be owning the property. I think if a house is released anywhere and somebody buys it, then they can just sell it and get the capital gain. So it is not affordable in that sense.

Senator BERNARDI—It is for the first person, but it is much less so for the second person.

Mr Bailey—Yes, the first person gets a bonus win, so to speak.

Ms Kelly—I think they have worked out ways of getting around that in terms of creating it as a long-term, ongoing affordable sale. I know that they were working on that. I am assuming that is part of some of the current work that is being released but, again, that is not our policy.

Senator BERNARDI—I accept that. Thank you for your contribution.

Ms Kelly—That is as much information that we can provide you with.

Senator KIRK—Thank you for your submission. On that point, in your recommendation No. 5 you talk about the state government developing sample legal agreements to ensure proposed developments remain affordable, which is really the point that Senator Bernardi was pursuing with you. You give the example of the City of Sydney's Green Square project. Are you happy to give us some detail of that; are they the sorts of restrictions that you are referring to?

Mr Bailey—I know a few things about Green Square but nothing about that.

Ms Kelly—At the time of drafting this, we were aware that there was something going on with it, but we do not know any more about it since. It is along those lines about things being affordable on an ongoing basis.

Senator KIRK—It will be interesting to see how that project works. In the absence of any other detail, perhaps you might be able to provide us with some information.

Ms Kelly—We can look into that. We can look for you where the Affordable Housing Innovations Unit information is and send through some links. That might give you more information.

Mr Bailey—Are you familiar with the Green Square project?

Senator KIRK—No. That is what I wanted to learn about.

CHAIR—I am from New South Wales, so I have that advantage.

Mr Bailey—I have only heard of it by legend, but it is between the CBD and the airport, and it is a major and intense redevelopment project on some former industrial land in that location. I think it is aiming to be a relatively mixed use—a mixture of remaining commercial-industrial, a town centre and some quite dense residential development to try and accommodate more people in the inner part of the city. That agreement and how they lock in the 15 per cent approach or whatever it is, would be quite interesting to look at.

Senator KIRK—It would be interesting, yes. If you can find out more that would be very helpful. In point No. 9, you say, ‘The state government should develop indicative sample design guidelines that illustrate a range of quality affordable housing principles to assist and guide the development industry.’ I wonder if you could elaborate on that. It seems to me like a quite a good idea as you would have some sort of consistency across the industry.

Ms Kelly—At the moment we are not aware of anything that has been developed around this area, but certainly it would help provide some guidance to the development industry on how you could do it. We saw some work come through from student projects in architecture at the University of South Australia that were looking at both sustainable and affordable housing. There are some quite innovative designs that can be employed. You can reduce the cost of the building product as well, so it is not just around the land but actually the cost of building and providing household size appropriate housing to meet the needs of people who need affordable housing.

One of the issues is around the housing stock that is available out there, what people are expecting to get as a house and what sorts of things it contains versus the size of households. So you can see that there is some mismatch between what is being provided readily out there in the development industry and the needs of households—numbers and sizes of bedrooms, double garages, ensuites and all those things that add to the cost of the building product—and whether they are actually essential components to have if housing affordability is an issue. That does not need to be state specific; that is really something that could be developed at a national level—to look at some innovative ways that housing can be developed in a range of different scenarios, whether it is small lots in greenfields, infill housing or medium-density projects and all those sorts of things.

Senator KIRK—Are you aware of any work being done in this state or any other states to develop those guidelines?

Ms Kelly—No.

CHAIR—Ms Kelly, I think you said at one stage in your remarks, when we were talking about the timing of land release, that it was effectively staged in time with infrastructure. Were you suggesting that that is the approach that the South Australian government is taking?

Ms Kelly—It is still not always the approach that is taken, but it is the main approach that they try to take. Certainly there is a Residential Metropolitan Development Program which sits at the back of the Planning Strategy for South Australia, and that locates all of the greenfields land and indicates the appropriate timing of release of that land in relation to infrastructure development—new roads, sewers and all those sorts of things. That program, we believe, has been developed in conjunction with the service utilities like SA Water, ETSA and others, so they are rolling out their program in conjunction with the land release program.

CHAIR—The Urban Development Institute of Australia South Australian Division was here this morning, and we were talking about some of these issues. In some of Mr Jackson’s observations there were some comments about infrastructure supply—water, power, gas and light, which are things that really only government can supply, by and large—and about how, even with the metropolitan development plan, there is a lag time that is having an impact on land release and on a number of other issues. Do you think that is a fair assessment?

Ms Kelly—It probably is. It is not something I am personally involved in, but it is probably likely. Resources are always an issue, even in infill locations when there are public issues around burst water mains and things. Fixing those quickly is not always possible. So yes, that is quite likely. I know that UDIA do a lot of research in that area, so if they have figures on that then those are probably accurate.

CHAIR—When you as planners are looking at the whole of South Australia, and if you look at it through the spectrum of questions of housing affordability, where do you see this moving in the next five to 10 years? We have been in a number of places around Australia recently, but most particularly, on this point, Western Australia, where things have basically galloped at a million miles an hour. In some cases, it seems to me—and it is merely a personal opinion—government has been saying, ‘Oh, goodness! Look at that! That is going to be a problem.’ And it is a massive problem in the Pilbara, in parts of Perth, in the fringe development areas around Perth and in questions of basic entry into the market. As planners, where do you see this going in South Australia and do you think that the government and the responsible agencies really have a grip on the potential for the explosion that may come—for example, in relation to mining developments and things like that?

Ms Kelly—I guess we are lucky enough to be behind WA and can see what has happened there. That is certainly something that has been talked about a lot here: the impacts of what might happen with the mining

boom, where things are starting to go now and that we need to get ready for it now. There has certainly been a lot of talk about getting ready in terms of strategic planning and policy issues, coordinating with infrastructure and all those sorts of things.

There are also other things going on at the moment which have perhaps diverted the attention from some of those issues. The focus has been on the state planning review and organisational reviews of Planning SA rather than some of those bigger picture issues. The review is not public, so there is a lot of rumour about what is in it, but we understand that it includes a stronger focus on strategic planning and aligning the state planning strategy, which is really the spatial outcome of the state's strategic plan and its targets. The review is pulling those two together and really starting to focus more on what is going on. We hope that will be the case. Certainly that is what we have been advocating—that there be a much stronger focus on strategic planning for South Australia and on looking at these emerging issues, particularly the mining boom, and the impacts that they have on not only Adelaide but particularly a lot of the regional communities, because some of those communities are now having issues with affordability. There is coastal development, sea-level rise and all sorts of issues that are being faced as a result of those mining boom implications.

Mr Bailey—I think the state government here would be slightly better prepared because it has a South Australian strategic plan within which I think there are 92 goals or targets or something, and one of those—

CHAIR—Ninety-two?

Mr Bailey—They cover everything.

CHAIR—We hope that they cover the field if there are 92!

Mr Bailey—And they cover housing affordability.

CHAIR—So it will all be delivered.

Mr Bailey—At least there are targets to aim for and try to be measured against. There is a 15 per cent affordable housing target. I think it is a good beginning. But my sense is that we are not quite as well prepared as we really need to be. The state planning review is underway—it has not been released but it is like Adelaide's best-known secret—and I am quite looking forward to seeing what it says about strategic planning for the state in terms of where all this growth should go and how it should occur spatially, in a geographic sense. It will be quite interesting to see how much more emphasis is placed on the bigger picture strategic planning. I think Kirsty is correct insofar as we have seen what has happened in Perth; it has been growth, growth, growth. But, with all these targets, hopefully we will be able to have some good debates about what future we want for Adelaide and then work towards that.

Ms Kelly—And also for regional centres. One of the issues is what happens in our regional centres and towns, and how we deal with accommodating growth there—whether it is relocating growth from Adelaide to some of those or providing opportunities so that people have a choice to move to other centres. One of the solutions to affordable housing is to have more employment opportunities and services facilitated in regional centres so that people have a reason to relocate there and can afford housing and different lifestyle opportunities there.

CHAIR—Unless the regional centres become afflicted by the conditions that beset Pilbara, for example, where a week's rent in a three-bedroom house costs a minimum of \$2,500.

Ms Kelly—Yes, I think Roxby Downs is having some of those issues.

Mr Bailey—That sounds concerning.

CHAIR—Just a tad!

Ms Kelly—I think there is a major expansion plan in Roxby Downs which includes a significant amount of housing, but some of those communities, if things are not planned for now, may experience those sorts of hikes.

CHAIR—You talked about the spatial implications of all of this. We have had quite a bit of evidence about a growing spatial segregation in Australia between communities of the well-off and communities of the extremely poor in a way that Australia has not really experienced, which all shoots back to questions of housing affordability. Some academics in particular were pursuing that with us last week. Do you see any evidence of that in Adelaide?

Ms Kelly—I do not know that it has got any worse. There have always been known areas, I guess, that are more disadvantaged, and certainly that Playford North area I mentioned or the Peachey Belt, which has been known for years as being—

CHAIR—Which?

Ms Kelly—It is called Peachey Belt. It is a road out there.

CHAIR—There are three South Australians and one New South Wales senator!

Ms Kelly—Okay. Sorry. It is one of the most disadvantaged areas—I think at one stage it may have been the most disadvantaged area—in Australia. The process that is going on out there at the moment, through that combined effort of state and local government—and then the private sector will be involved in the new development area out there—will make quite a difference to the disadvantage in that community, because it is providing that greater mix.

Mr Bailey—The Westwood redevelopment in the north-western suburbs has been a similar regeneration program, where the Housing Trust have extensive ownership of large swathes of public housing. They are going through some program—it is called Better Neighbourhoods or something—to regenerate those, create a bigger mix of housing and so forth. They are beneficial. We could possibly face those issues. It depends a bit on the speed at which the state really tackles some of these issues, truthfully. I am not an expert in affordable housing, but the relationship between the increase in median income and the increase in median house price has gone like that in Adelaide over the last five to seven years. I do not really see any big reason for that to change. I tend to think that with the introduction—or the escalation—of the peak oil risks at the fringe there will be increasing polarisation of the haves and the have-nots, but the degree of that is a bit of guesswork.

Ms Kelly—There is another area that that might affect as well. With the demographics and the ageing population in South Australia there are some significant pockets of older population. Some of those people might be prepared for retirement but I imagine that quite a number of them are not, so there might be that growing disadvantage in some of those communities. Admittedly a lot of those people are actually in their own homes at this stage. Whether they can afford to remain in their homes is another matter; there are issues around rates and those sorts of things. But there will be some of those pockets of people as time goes on. There are also migrant communities. There is often a tendency for people to accumulate in one area or around certain facilities, and so there are some issues around that.

CHAIR—You talk about the redevelopment of some of these places and then the development of new communities and new estates. I think an area mentioned to us this morning was Mount Barker. What sort of approach is being taken to diversity of dwelling stock and of housing? Can you enlighten us on that at all? We have a lot of evidence about the apparently quite intense Australian preponderance of four-bedroom, two-bathroom, three-garage homes, virtually no matter what stage of life you find yourself at. That has implications for ageing because, if we are building estates that only contain, to a very significant degree, the four-bedroom, two-bathroom, three-car-park type houses, then when you want to change your dwelling as a result of ageing to live either just with your spouse or by yourself in a smaller place—perhaps single storey and all of those things that go with it—there is actually nothing that enables you to stay in your community, because we have built communities that do not lend themselves to that sort of downsizing.

Ms Kelly—Absolutely, and it is the same for young people moving out of home and wanting to stay within their local area. Finding a flat or a small dwelling in the area that you live in is often quite difficult.

CHAIR—Is that an issue here in South Australia?

Ms Kelly—Yes, it is. I guess one of the things is how you accommodate that. Policy and development plans might allow for a range of different dwelling types, but actually mandating, controlling or somehow influencing the range of types of dwellings is something that the policy, at this stage, does not allow for. So you can provide the policy that guides the development of each of those things, but there is nothing that says a certain percentage should have one bedroom and another percentage should have two bedrooms or anything like that.

CHAIR—But if you are mandating 15 per cent affordable housing, whatever that actually means in this context—because after this fairly lengthy discussion I still do not have a handle on what that is going to mean in South Australia—why can't you mandate this as well?

Ms Kelly—If the 15 per cent works, then that could be something that happens after that.

CHAIR—So local government, in conjunction with their planners, which is your guys, could say to a developer, for example: ‘This estate of 250 lots is going to contain 200 four-bedroom, two-bathroom, three-car-park dwellings, and the other 50 will cover this ambit of diverse dwelling stock. If you want to be the developer, that is what you have got to build.’

Ms Kelly—Yes. There are two stages to it, though, because you have the land division, where you are setting the allotment size, and often they will set a variety of allotment sizes to get courtyard and villa homes, and all those different sorts of dwelling types. But, when each application comes in, each individual application is assessed on its merits.

CHAIR—For each block?

Ms Kelly—For each block.

Mr Bailey—You could do that.

Senator BERNARDI—You could place zoning restrictions on parts of it, couldn’t you?

Mr Bailey—You could. It would take a bit of research and some bravery, but you could. Technically, there is no reason why you couldn’t.

Senator BERNARDI—And a good planner.

Mr Bailey—As I said, the 15 per cent target that the state has, to date seems to mainly apply to government land and, through rezonings for either fringe land releases or upzoning in the inner areas, that is sought to be applied. That has been argued about a bit for the inner west at the old Clipsal site—or it will be argued about. I think they know what they need to do. It has also been argued about out at the Cheltenham racecourse site. I guess Adelaide does have a lot of large detached houses from the thirties through to the seventies and most of the council’s development plans or planning controls would allow them to be demolished and replaced with two, which might not necessarily be as large as the variety you mentioned before. That does happen. A lot of it does relate to the actual value of the house. If the building that is on the land is an old timber framed place, that block of land is primarily just the value of the land, so the house goes and it is replaced with two.

CHAIR—I think you mentioned in your remarks the dearth of professional planners available to do the volume of work that is coming through. Did you make a reference to para-planners?

Ms Kelly—Yes.

CHAIR—We have had that advanced twice as a good proposition, particularly for the basic functional work that goes through councils so often.

Ms Kelly—The qualification for that is a TAFE certificate IV, which is consistent across Australia.

CHAIR—Is that three years?

Ms Kelly—One year. It is a Certificate IV in Local Government (Planning). So we have been working with TAFE here to try and encourage councils to at least put their existing admin staff through that and to start looking at that as a point of entry into planning. So when we go out and talk to schools on careers issues or go to careers fairs, we are now promoting both the TAFE course and the uni course.

CHAIR—Are you getting a good reception for that?

Ms Kelly—Yes, it is going quite well. This year, six of the students from the TAFE course have gone on to study planning either at UniSA or through the Armidale remote study campus for people who come from regional areas. Those sorts of things are starting to work. I mentioned the development assessment task force in my opening statement and I think we have got 8½ pages of actions of things that we are now working on jointly with Planning SA, LGA and other organisations to try and deal with a lot of these issues. Some of them are things that are already in train and it is about just generally promoting awareness of planning to the community and giving people who are coming to the counter with applications a bit more understanding of what the process is and what the expectations are, and working with the development industry to try and improve the quality of their inputs to the system, which are often a significant cause of the delays in the development assessment process.

CHAIR—Is that because there are not enough planners to work in their industry as well?

Ms Kelly—Part of it is. Often it is that they will sometimes put in perhaps substandard plans—the same plan they use for everything but they have failed to actually put the right address details, or get the orientation right or not provide the information that goes with it.

CHAIR—I imagine the right orientation comes in quite handy.

Ms Kelly—Yes. So there are those sorts of things. We have been talking to some of the development industry groups about that and we believe that that is one of the recommendations in the planning review—that applications that do not provide the required information will be refused straight off. So if they come in and only have half their plans, then it is an automatic refusal. That is what we believe will be in there, or something along those lines. We are quite supportive of that because there is a lot of time wasted in the system just going backwards and forwards over information requirements.

CHAIR—Thank you very much. That has been very helpful. We appreciate your attendance at the committee today and your support for our inquiry, particularly the PA's interest in it as we have gone around Australia. Thank you both very much for attending.

Proceedings suspended from 2.25 pm to 2.40 pm

BAKER, Dr Emma, Research Fellow, Flinders University and Australian Housing and Urban Research Institute Southern Research Centre

BEER, Professor Andrew, Researcher, Flinders University and Australian Housing and Urban Research Institute Southern Research Centre

FAULKNER, Dr Debbie, Director, Australian Housing and Urban Research Institute Southern Research Centre, Flinders University

TUALLY, Dr Selina, Research Fellow, Flinders University and Australian Housing and Urban Research Institute Southern Research Centre

CHAIR—Good afternoon, and thank you very much for joining the committee here at our Adelaide inquiry. Thank you for the document that you have provided to the committee this afternoon, which we will make our way through. I now invite you to make an opening statement and then we will go to questions from members of the committee.

Prof. Beer—What we propose is that I will make a few comments at this stage and then we will each, in turn, make a few comments, to draw out some of the big-picture issues that I am going to raise now. When I have made these opening comments we will pass over to Emma to talk about the aggregate picture of housing need and what that means in terms of housing affordability. I will then make some comments around homeownership and housing affordability for people with disability. Selina will then talk about women and access to homeownership and housing affordability, Debbie will then talk about the older population, and I will finish off by talking about the First Home Owner Grant and the insights our research offers into the effectiveness of that program and its potential policy future.

CHAIR—And you will leave time for us to ask questions?

Prof. Beer—We hope so; we will be very quick. We recognise that this committee would have received a lot of inputs from a lot of experts and that you would have a very good idea of the overall picture of housing affordability. What we want to draw your attention to is the fact that some groups in society are more affected by the problems of housing affordability than other groups, and we want to draw your attention to some specific groups so that you get a greater appreciation of just what the impact is on these groups. I will now pass over to Emma.

Dr Baker—I am going to just give a brief overview of aggregate need and pinpoint some of the things that the others will be talking about. I have three main points today. The first is that affordability is only part of housing provision. Importantly, to meet the affordable-housing needs of a population it is about providing affordable housing that is also appropriate. So there is limited use in providing housing that is located away from services or employment, or housing that negatively affects the health of the people who live within it. So while this discussion is focused on housing affordability, it is assumed that affordable housing will also be appropriate. And for some groups there are significant affordability barriers to homeownership or even rental housing, and that is brought about by other factors in their lives, like disability, being a single parent or the presence of a disability within the household. So the presence of characteristics such as these predispose the household to high housing costs and, at the same time, to low income. So one point that we make in the paper is that, in 2001, the number of Australians in housing stress was about 1.1 million, but that is: in housing stress, being low income and paying a high proportion of their incomes in housing costs. But the point to make is that if you include appropriate housing within it, the number is likely to be very, very much higher than for people living in housing that they cannot afford or housing that they can afford but that is not appropriate to their needs. It is also worth mentioning that when the 2006 census data comes out it is likely to be significantly higher than that.

The second point is about homeownership and health. Housing is regarded as a health-promoting resource, accessed through income. And so owner-occupation is widely regarded as the healthiest sector in the Australian housing system. But homeownership, while it is a healthy tenure for some, can also damage the health prospects of others who are experiencing illness or disability, as we will talk about later. So declining health often leads to lower incomes at the same time as it leads to increased costs. And also, considering the progression of diseases and disabilities, it is likely to be an increasing thing through the lifetime of a household. So homeownership has potential benefits for those who are ill, but its purchase and maintenance can make it increasingly difficult for those who are ill or become ill. The point to take from that is that homeownership affordability can change over time for a household.

The third point is the spatial problem; the space varies. You have a copy of our paper that looks at housing need. In that paper, we have tried to catch the distribution of housing need across the state and the city. Importantly, we have also tried to capture unmet need. This paper provides a spatial picture of where the affordable housing supply currently is within the state, and then we have tried to look at the distribution of affordable housing demand—because it is about both of those together. We then can model an indicator of unmet housing need, including where it is. I suppose, in that picture, I would point you to the great differences across areas of the city. Importantly, we need to consider problems with housing affordability as varying not only over time for a household but also, very significantly, over space for a population and within specific groups where such problems are concentrated. That probably leads into Andrew talking about one of those groups.

Prof. Beer—I am going to talk very briefly about housing affordability and disability. My comments draw upon the research we have done using a national survey of households that are representative at the state and territory level, the full details of which are in the paper. Essentially, most Australians and most policymakers do not think about people with a disability when they are forming their general policies, including housing policies. We found that 22 per cent of all households that we surveyed have one or more persons affected by a disability. The paper documents that people living in households where one or more persons has a disability are poorer, have much lower incomes, are much more likely to be in the rental market and are much less likely to be homeowners. They have significantly greater levels of housing stress than the population overall. That is a matter of policy concern because, in many instances, these are people on very low incomes.

We are talking about people on the disability support pension and the carers pension—very, very low incomes—who are struggling with high housing costs, often in excess of 60 per cent of their gross household income. That has a significant impact on their quality of life and their ability to gain access to a whole raft of services that should be supporting them with their disability. I think that issue does not get enough attention in debates around housing affordability in Australia. At this point, I might pass over to Selina.

Dr Tually—I am going to talk specifically about women. We have done some work recently at the AHURI Southern Research Centre looking at women's housing needs into the future and there are a couple of issues that I think we really need to put on the policy agenda in terms of women. Obviously, on average, women still earn less than men in Australia do and there is a persistent gender wage gap. That has implications regarding the lifetime earnings of women and their accumulation of wealth, particularly of superannuation. These are issues that we need to look at.

There are a few things to say here. Financial capacity determines people's housing choices and circumstances, obviously. So, if you are in a household with a limited financial capacity, your housing choices are significantly limited. That is obviously the case for single-parent families and a lot of female-headed lone-person households in Australia at the current time. If you have to rely on one low-income or part-time income, it is very difficult to sustain a mortgage. Although there is not a lot of research in this field currently, I think we need to look at programs that specifically assist women across all age groups to enter into and sustain homeownership—not just for younger women but also for women who have fallen out of homeownership or who are having difficulty sustaining homeownership because of divorce or the death of their partner, or because the primary income earner in the household has acquired a disability or for some other reason has lost significant income.

HomeStart Finance in South Australia definitely offers a few programs that assist women and something like two-thirds of its clients are actually women. So, obviously, looking at some of HomeStart's programs would be a step in the right direction. Keystart in Western Australia offers a lot of similar programs. I think the shared equity models, which are slowly starting to gain a bit of popularity, may be one of the ways of assisting women and people with disabilities, including women with disabilities, into homeownership. That may be something worth looking at.

In terms of women, I would like to make three other points that I think are really important. The first one is about domestic violence. We still have unacceptably high rates of domestic violence in Australia. Domestic violence has long-term and short-term implications for women's housing. The really important point that needs to be made here concerns the first homeowners grant. You are only eligible for that once. So, if you have experienced a domestic violence situation and have had to leave your home, you are not eligible for another grant. That applies if you are a single person going back into homeownership, part of a family or part of a couple, having gone into another relationship. If the first homeowners grant is to continue to be one of the main housing assistance programs, something needs to be done about eligibility of women who have suffered

domestic violence; otherwise, they are going to pay for that situation for a very long time in terms of housing wealth.

On a similar issue, a lot of the research that we have recently done is on people who have fallen out of homeownership and people who have divorced. A lot of those women in particular say that they were awarded the house in the settlement but could not sustain their mortgage payments, so they fell out of homeownership post-divorce after initially getting the asset. So I think maybe there is room there for a first homeowners style grant to assist those women in that period immediately post-separation when your financial circumstances really take a hit. We have had a lot of calls in our research from women about that particular type of assistance, temporary assistance or maybe some ongoing assistance for some other people in particular financial difficulty.

The other thing I think we need to look at in terms of housing affordability across a lifetime is the issue of superannuation and women. Most people use all or part of their superannuation to pay off their mortgage at retirement. If you are a woman, particularly a baby boomer, approaching retirement with very little superannuation—probably less than \$10,000—you are not in a position to be able to pay your house off. In Australia the housing system where you pay off your house at retirement generally buffers you against poverty in old age when your income levels are at their lowest. I think there is room to expand some superannuation programs for women and probably people with disabilities as well going forward.

The other point I would like to make, which reinforces something Emma said earlier, is that affordable housing is only part of the picture. Women need housing that is safe and secure if they have escaped domestic violence, and older women need housing that is accessible and appropriate. So I think when we are looking at affordable housing we need to look at how appropriate that housing is for their needs. There is a high prevalence of disability with age for women, and so I think the design of our housing is going to be an increasingly important issue into the future.

CHAIR—Can you just clarify for me as a New South Wales senator: is HomeStart Finance a South Australian government proposition?

Dr Tually—It is. It is the South Australian government home lending program; the same as Keystart, Western Australia.

Dr Faulkner—I am going to draw attention to the issue of older people. Stable and appropriate housing can strongly influence the physical and psychological wellbeing of older people. Although the rates of homeownership are very high amongst older people and so therefore fewer proportionally are suffering housing stress compared to other groups in society, older people often have limited income and limited funds in terms of savings to contribute financially to their retirement. While we hear about the good fortune of the baby boomer generation, current research indicates that those within 20 years of retirement are still likely to need some form of pension assistance. With the rise in house prices, attention has turned to how older people could perhaps draw on their housing to supplement their retirement incomes.

Older people have generally resisted any pressure to use their housing to meet their needs in old age. While older homeowners may downsize, our Housing 21 survey indicates that many do not do that specifically to release the equity in their house; they do it to find a smaller property to reduce maintenance costs. Sometimes downsizing means an increase in their costs because the property they want to buy is more expensive than the price they can get for their actual house.

Equity withdrawal through reverse mortgages has become popular with the media and finance companies. Most older people over 75 are very suspicious of reverse mortgages because they have spent their whole lives saving to buy their property, so they are very reluctant to again owe any money on that property. While it appears reverse mortgages may be more acceptable to the young, generally they are taken out for one-off purchases rather than to generate some sort of income stream for retirement.

While some researchers suggest that older homeowners may be financially better off if they become renters, the private rental market is not a suitable place for many older people. But the rental market for older people is going to increase significantly. The number of older people in the rental market is going to increase significantly over the next 20 years—by about 115 per cent, in fact. It is important to note that the ABS has found that renters over the age of 55 spend more of their gross income on housing costs than any other lifestyle group. While affordability issues seem to be focused on young people and families, many older people who have not had the fortune of gaining homeownership or who have fallen out of homeownership in older life when they have very little chance of increasing their wealth or entering the housing market tend to

these days with social housing decreasing end up in the private rental market. For many older people, the private rental market is not the appropriate place because the housing is not suitable to their changing needs as they age. It is important that the belief that older people are well off because they are homeowners does not overshadow the struggle that life can be for a considerable number of older people, particularly at a time when they are most vulnerable to disability and ill health.

Prof. Beer—I will finish with some comments on the first homeowners grant. If you do not mind, I will direct the committee's attention to page 23, figure 11. As part of our national survey, we asked questions about the impact of the first homeowners grant. As you might anticipate, what we found is that the first homeowners grant was very popular with many of the people we surveyed. We found that most people took it up and believed that the first homeowners grant had brought forward their decision to enter home purchase. But in terms of the number of forms of financial assistance received, as many people received other forms of assistance to get into homeownership as received the first homeowners grant. Families, friends et cetera giving money was very important for access to homeownership. The first homeowners grant needs to be seen within that context. We also need to think more carefully about the first homeowners grant. Figure 11 is the focus for that. There is a conventional wisdom, based largely on the work of Judy Yates, who may have appeared before this committee—

CHAIR—She has indeed.

Prof. Beer—that suggests that access to homeownership has fallen and that younger generations are roughly 30 per cent less likely to enter homeownership by some key threshold ages, such as 30 or 35, than their parents' generation. Our research finds the opposite. What we find is demonstrated in figure 11. We find that younger Australians are now much more likely to have entered homeownership than either their parents' generation or their grandparents' generation. This also ties in with some of the work that Gavin Wood, who may also have appeared before this committee, had published in 2003 showing that the first homeowners grant has had the impact of bringing forward the housing consumption decision of would-be home purchasers.

What we find, and what is evident in figure 11, is that people have purchased homes younger as a result of the first homeowners grant but they have also fallen out of homeownership. That is why our findings are entirely consistent with Judy's findings in terms of the rates of homeownership at one point in time—the censuses of 1996, 2001 and 2006. The real story is not about young Australians not being able to get into homeownership; it is about young Australians not being able to sustain homeownership. Why are they falling out of homeownership? It is not because they cannot afford it because of interest rate rises, although that is important; rather, they are falling out of homeownership because their relationships are breaking down. In our survey, 20 per cent of our respondents described themselves as being divorced or separated. Roughly 11 per cent of those aged over 55 were tenants in our survey. Of that 11 per cent, 92 per cent had previously been homeowners and had fallen out of that tenure because of divorce or separation.

We would therefore suggest that if we are examining housing affordability in Australia and looking at the efficacy of the first homeowners grant, which is one of the terms of reference of this committee, the true focus should really be on sustaining people in homeownership when they go through climactic life events such as separation and divorce in particular. At the moment, we help people into homeownership but we do not keep them there. Programs that were directed to that end would have enormous social and economic benefits for government and for the community as a whole. I will leave it there. Thank you.

CHAIR—Thank you all very much. I will take up where you just left off, Professor Beer. We have had some discussions—I would not say they were superficial, but nor can they be in-depth in this context—with other witnesses about the policy of keeping marginal mortgage holders in their mortgages, including Judy Yates and a couple of others who have put forward that proposition, with variations on a theme, I suppose you would say. Some people suggest a grant arrangement, as I think Dr Tuall was advancing, and others a periodic interest-free loan that covers the crisis period—a loan that must be repaid but does not have to be repaid at an extortionately high rate of interest. There is quite some interest in that. A crisis period does not just go to relationship breakdown; it goes to job circumstances, employment circumstances, illness in the family, where somebody has to become a carer for a period of time and those sorts of things. Of course, relationship breakdown probably leads the pack in terms of what induces the crisis. In a policy sense it is a very interesting proposition because when we look at the figures about housing stress, no matter how they are calculated or by whom, so many of those statistics seem to come back to a crisis-induced position. Is that what your research basically has shown? Also, I do not know what qualitative versus quantitative elements your research has, but

do people say that a small piece of assistance to get over that hump would make it so much easier for them to stay in their own homes and not lose their mortgages and their shelter?

Dr Tually—I conducted some of the qualitative component of that research and they, particularly women, do say that. Men are far more likely to repartner following divorce or separation from a significant relationship, and the current research definitely shows that if you remarry or repartner you actually put yourself back on the wealth and homeownership track very readily. Women definitely ask for the sort of assistance that may have just gotten them over the hump while they had the significant drop in income and were readjusting their labour force and caring commitments and everything so that they could earn more money. That definitely comes across from the qualitative stuff.

Prof. Beer—I would endorse those points. As Selina pointed out, we engaged in qualitative data collection in South Australia, Tasmania and New South Wales, and that was the consistent story. In the main the people we were dealing with were people falling out of homeownership because of divorce or separation. Whether divorce or separation was triggered by financial crisis associated with the rising mortgage rate, we do not know yet. Emma is beginning to look at that work using the HILDA dataset.

Dr Baker—We have just started to look at that. It has become an issue.

Senator HURLEY—I want to look at the rental market as well as ownership and the possibility of lowering rents. Have you had a look at the Commonwealth rent subsidy paid to people on benefits and seen what impact that has—whether that is a net benefit or it has just increased the level of rents?

Prof. Beer—I have not done any modelling of the impact of CRA payments on the private rental market but a number of commentators have noted that CRA payments (a) are low, relative to the level of housing need, and (b) have boosted demand without necessarily increasing supply. So most people that I have read suggest that CRA payments have just contributed to an inflating house price market.

Senator HURLEY—It is often said, and I do not really know whether this is true or not, that in Europe rents tend to remain more stable and people have a longer term of rental. Do you think that this is a model worth working towards or do you not see it working in Australia for one reason or another?

Prof. Beer—On a personal level, and I cannot speak for the others here, homeownership remains a very attractive tenure for Australians. It has significant tax subsidies. Australians who do not gain access to and sustain homeownership in their life will face financial crises later in life and will be denied access to a significant form of wealth accumulation. The sorts of systems you are talking about in Europe are in some cases underpinned by some quite specific policy instruments that keep those rents relatively low. In some parts of Europe, they still have rent pegging, which is a policy response that I do not think anyone would advocate and introduce. In other parts of Europe—for example, in Switzerland and Germany—they have a series of policy instruments that operate through the tax system which encourage the supply of low-cost rental housing. To a certain extent the National Affordable Rental Scheme that the Rudd Labor government has recently announced emulates elements of that program, so you may well see the sort of situation you are interested in appearing over the next decade or so as that scheme rolls out.

Senator HURLEY—If we do increase housing affordability substantially, that will probably decrease the value of people's houses. That is a very difficult political decision, apart from anything else. It takes away from that wealth accumulation aspect.

Prof. Beer—True. It is worth reflecting on the fact that last year the value of house prices in Adelaide increased by 23 per cent. Even adjusting for inflation it is a very good rate of return. Do we really need to continue to accumulate at that rate? I think most Australians would say, 'We also want our children and our grandchildren to have access to homeownership sometime into the future.' One of the key issues is that the tax benefits associated with homeownership are now too generous and there needs to be some sort of levelling out. So strategies that saw house price inflation slow and perhaps just keep pace with inflation or even be beaten by inflation on occasion would really work to the advantage of all Australians in the long term. We do not need to be one of the most expensive countries for housing in the developed world.

Senator HURLEY—You were just talking about people in marriages separating. I think some people have said that this has contributed to the housing affordability problem because where there was one house there now needs to be two. It is more than just helping one or both of the participants over the hump. Is there any way to deal with that problem of more houses being needed because of the split-up of families?

Prof. Beer—I think it is a much more complex issue than just that. If we had an efficient system of housing supply, we could deal with that issue relatively easily. It is worth reflecting that since the 1980s we actually

have more bedrooms in the Australian housing stock than people. That situation has just got worse. One of the drivers that we found in our survey was that in fact many households double consume, so they rent a house while they either renovate their existing property or bulldoze their existing property and build another one.

CHAIR—When you say ‘many’ what sort of proportion do you mean?

Prof. Beer—It was about 11 per cent of our respondents, so we estimate it contributed about one per cent of total demand in the rental market. When you have a vacancy rate of three per cent which drops down to two per cent, that has a significant impact on price. So it is a significant dynamic in the housing market. If we had an efficient system of supply, I think that would be a problem overcome, and there are many sources for additional demand for housing beyond the traditional family. One of the sources is separation and divorce, another is double consumption as people renovate or build new homes. Another source is people living longer and living in sole person households as they age. Maybe Debbie would like to comment on that.

Dr Faulkner—A lot of older people are living longer, particularly women, so it is going to become a factor of housing older women rather than older men—although men are living longer too, so couple partnerships will last longer than perhaps has been the case in the past, unless they have gone through divorce or separation. You were talking about longer rental terms for people. I think, particularly for the older population, longer rental times would be really appropriate.

We did some focus work with low-income older people out in the northern suburbs of Adelaide, and most of those people had moved five or six times within the last two years. They had moved because the rent had become too expensive or the lease had expired. The point they made was that, in moving, the problem was the actual costs of connecting utilities, finding the money to pay a bond and finding people or a company to help them actually move their belongings. That could be a cost of \$1,000 or \$2,000, and they were having to confront that every three or four months within the private rental sector on the limited income they had. If they did have any superannuation, that superannuation was being eaten up by those sorts of costs as well as the costs of trying to survive on a daily basis. So I think particularly for older people longer term leases and rental would be very beneficial to those in the private rental market, although social housing is really the best option for many older people.

Older people in public housing that we have spoken to are very happy because it is a stable form of housing. Their maintenance services are taken care of. Often social housing is located close to services and facilities that they require. So that would be the best option. But, in an environment where social housing is decreasing quite significantly, those that have not had the opportunity of homeownership are forced into the private rental market.

Senator HURLEY—Yes, it is a problem for younger people as well, because if they have to move frequently and those expenses come into play it makes it increasingly difficult for them to save any kind of deposit. It happens quite frequently to younger people, who might need to move for a job or something like that. So I think that long-term housing thing is a serious issue. Just the moving expenses are very difficult as well. I think government is certainly looking at one way to redress that.

I know it is a difficult issue, but I want to get back to the flexibility of different types of accommodation. One of the things that people find when they split up is that they have to have houses with extra bedrooms for the weekend that their children come to stay. So it might be a more expensive house than they need generally, but when their children come in the school holidays, or whenever, they need the room for them. And people go through periods of life when they have different needs. Various people have looked at how you develop flexibility in accommodation. Have you got any comment on how we cope with the changing patterns?

Prof. Beer—I do not think any of our research is particularly focused on that question. When we have talked about flexible housing in our research, we have tended to focus on adaptable housing to meet the needs of people with a disability and also the needs of people as they age. I think that is important. I guess it is worth recognising that there are a lot of impediments to flexibility within the housing market as it currently stands. Stamp duty is one impediment to flexibility. It is expensive to change properties, so you are unlikely to downsize or upsize as your needs change over time. There are probably other impediments in the rental market. Often within the rental market there is only one form of lease available. It is only a standard one-year lease. We do not tend to see leases available for extended periods of time. So there are a number of impediments to flexibility, and some of those could be addressed relatively simply, I would think.

Senator HURLEY—It seems to me that renting might be a good option for, say, people who have split up. They could rent for a couple of years and then go back in. But, as you have outlined, some of the barriers to

that and the difficulties of getting back into the housing market, when the values are skyrocketing in particular, make it very difficult.

Prof. Beer—I guess that is one of the issues around the gender differences. In separation, typically men exit the home but take greater assets with them and have greater income. They will rent for a period straightaway and then they will re-enter homeownership. When we asked them, ‘Are you worried about your prospects for gaining access to homeownership?’ they would say no. Women, by contrast, have a tendency to end up with the home because they are caring for the children quite frequently, but they do not have the income or the assets to support that tenure. They may struggle on in that tenure for several years and then fall out of homeownership and not get back in. That was quite a common story, I think, in both our quantitative and qualitative data collection.

Senator BERNARDI—I was just reading about people with disabilities—it is the first time I have seen this report. In your remarks you said that some of your respondents said they were paying 60 per cent of their household income.

Prof. Beer—They are paying more than 60 per cent of gross household income.

Senator BERNARDI—More? Can you categorise it into households where the only occupant was a person with a disability or where there were two people and one was caring for the other? Do you have that sort of data?

Prof. Beer—We could do that, but we have not done that for that paper.

Senator BERNARDI—I would be very interested, if you have it available, for you to perhaps supply it to the committee.

Prof. Beer—Households where one or more persons have a disability were much less likely to be family households, though there were some family households. They tended to be sole-person households or they tended to be couple households. This was due to a whole raft of reasons, one of which was age. The data we present is actually corrected for disability related to age, so we only present data for persons aged under 65. Disability that could be thought of as a consequence of the natural ageing process is not accounted for there.

Senator BERNARDI—Could you detail to me what sorts of policies would prevent house prices from rising out of line with, say, inflation or restrict housing growth or property price growth. I can think of some immediately because we had very little housing growth in the nineties—so you can dial up a recession and we can limit that or we can have interest rates at 20 per cent, but what other policies are there that can restrict increases in house prices?

Prof. Beer—I guess at the bottom house price inflation is a balance between supply and demand, so you would have to address both of those if you wanted to have an immediate impact. Obviously improving the system of housing supply would be one way forward. There are significant gaps in the housing supply system in Adelaide as there are in all parts of Australia. For example, there is significant shortage of labour. We have not invested enough as a nation in supply of skilled labour for the building industry. Is it possible, for example, to reduce the apprenticeship times? Is it possible to increase retention of apprentices? Many people enter apprenticeships but they do not complete their apprenticeships and therefore they are not skilled labour in the longer term available for the housing market. Is it possible to keep people within the building industry for longer? At the moment many subcontractors fall out of the building industry after a relatively short period of time, for a whole raft of reasons. Those sorts of measures could be taken.

Obviously measures that reduce the holding costs for developers will put downward pressure on prices. Strategies that increase the supply of land for housing through various schemes would obviously have a significant impact. Then, on the supply side, what can we do in terms of financial subsidies for homeownership but also the tax treatment of housing to reduce the demand by both home purchasers and investors? Clearly, the sorts of things to look at would include the way in which negative gearing is dealt with, the way in which capital gains are dealt with and also, as we have suggested, the first home owners grant, which, in many respects, is very welcome to the individual but may well work against the best interests of the individual in the long term because that additional \$7,000 is captured by the housing market in the form of increased prices.

Senator BERNARDI—I guess on one hand part of the argument that has been put forward is that we need to support people to maintain homeownership, which artificially supports house prices. At the other end you are saying we should remove some of the incentives or reasons for people to get into homeownership, which

are that it does offer a tax break from a capital gains perspective or, if you remove negative gearing—I think they tried that in the eighties—it creates some issues of rental supply. I would ask you to comment on that.

In relation to the comment—and I am not sure who made it; it may have been you, Professor Beer—that denying people homeownership or preventing them from having homeownership denies them the opportunity for wealth accumulation, I have a different position because owning a home is generally more expensive overall in an out-of-pocket cost than renting a property. The opportunity is there for every single person to reinvest the difference in any manner of investment schemes, and they can get tax breaks on them themselves. They could invest in the share market, which has a historical rate of return that is greater than property and, although you do pay capital gains tax, in the end you get tax breaks along the way. What are your comments on those three things?

Prof. Beer—I think superannuation and homeownership are both tax advantage forms of investment within the Australian taxation system. Yes, there was an attempt to restrict negative gearing in the 1980s and it is widely held that that cost Barry Unsworth government in New South Wales. It is now thought of as a politically courageous move for any government to introduce it. I am in favour of homeowners having access to a form of wealth accumulation through their tenure, but I question whether they need to have access to so much wealth accumulation where you can have a 24 per cent increase in median house prices, which many people get to capture without the expenditure of any effort on their part. I am suggesting that it is possible to introduce a range of taxation measures that would slow the rate of appreciation in property prices and would allow more people to gain access and perhaps achieve a lower rate of return in the longer term.

I would also suggest that homeownership has historically been a much more equitable form of investment because many people do not have the information or knowledge necessary to invest in alternative investments such as the stock market, so they have not looked at those forms of investment. Homeownership is something that they have believed to be as safe as houses, quite literally—bricks and mortar is as safe as houses. So I think it is an attractive investment option. The challenge for governments is to come up with a range of policy instruments that could potentially reduce the cost of entry into home purchase without necessarily taking away the full advantage of home purchase. I am struck by the fact, for example, that a city such as Dallas in the United States has very rapid population growth but has very low house prices by Australian standards. I have a colleague working at the University of North Texas who is earning a very similar income to me. His home is the same size as mine, virtually, and is probably worth US\$240,000 and mine is probably worth three times that amount.

Senator BERNARDI—Equally, they receive tax breaks on their purchase costs as well, don't they? They have an ongoing deductibility.

Prof. Beer—They receive tax breaks on their purchase costs and they also have a very efficient system of housing supply.

Senator BERNARDI—I could also say you could go to Detroit and buy a house for US\$6,000, but who would want to live in parts of Detroit?

Prof. Beer—That is true.

Senator BERNARDI—Thank you.

Prof. Beer—If I could just add one thing: I think one option would be to look at the way in which property taxes are incurred. At the moment we have property taxes on private rental properties whereas we do not have significant property taxes on homeownership properties.

Senator BERNARDI—You have mentioned a couple of times a 24 per cent rate of growth in property prices. It is not a reasonable argument to take that in isolation. You have to look at the price and appreciation of property on a consistent basis, which I think is probably somewhere between 10 or 11 per cent; consistent with other forms of investment. When you have periods of superior price appreciation you are going to have significant underperformance as well, otherwise you are not going to have an average of 11 per cent. I am interested in how you respond to that. In relation to the claim that people perceive things to be as safe as houses: is that because they think that property prices never go down? Is it a psychological effect which we, once again, know is not true?

Prof. Beer—I think people do believe that property prices never go down, and they often believe they would never go down even in absolute terms, allowing for fluctuations and variation. I think the simple fact is that we do not need, as a society, to have house prices increasing at 24 per cent per annum, as they did last year in Adelaide, or 40 per cent, as they did several years ago in Perth. Policy measures that can help restrict

that very rapid house price inflation have to be welcomed. I think it is in many ways disingenuous to conflate share markets with property markets, because the share market serves a purpose within the real economy; whereas we attach a social benefit to homeownership and access to affordable and appropriate housing—as reflected in the fact that we have this committee of inquiry into housing affordability today—and I think that, if we treat homeownership as just another class of asset, we are simply ignoring those social and economic benefits and not recognising the need to regulate returns on an investment in order to achieve those other social goals.

Senator BERNARDI—I would simply say that I was not the one who introduced property ownership as a right of wealth accumulation which is simply another class of investment. You introduced that, not me.

Senator KIRK—Thank you very much for your submission. It has been really interesting. I note that at the end of your submission you make the most courageous suggestion that the First Home Owner Grant be removed and that other measures be introduced which are more targeted. You do not really expand upon that there. I notice that back in your submission you do suggest a way in which we might encourage people to remain in owner occupation, and you make a suggestion of a no-interest loan being put into place for a set period. That was in relation to divorcees, I think—was that it or was it more general? I wonder if you could expand upon that for us and explain how that might work for people who have become divorced. I think you also mention those who are disabled and also older people. Would you see the same kind of scheme being in place for them or would it differ as between the different classes of individuals?

Prof. Beer—The policy proposal that you refer to came out of discussions with policymakers in Canberra in November last year. We drew their attention to the same information that we have just presented to you about high rates of entry into homeownership but relatively high rates of falling out of homeownership, and they pointed out that the Commonwealth government now has a very small program called the HOME program. I cannot for the life of me remember what HOME stands for.

CHAIR—We worked it out last week, but I cannot remember it either!

Prof. Beer—Essentially, people who are at risk of becoming homeless are referred to this program and provided with counselling and assistance.

CHAIR—It is a FaHCSIA program, isn't it?

Prof. Beer—It is a FaHCSIA program, yes. They are provided with counselling and assistance to maintain that tenure. We would suggest that an expanded version of that program could have a very productive role, and it would actually be a better way of maintaining homeownership, getting people into homeownership and keeping them in homeownership than what currently exists. I think that, if we as a society want to promote access to homeownership, keeping house prices low is, in the longer term, the best way we can do that. One of the ways we can keep house prices low is by reducing subsidies which artificially inflate prices, including the First Home Owner Grant. But I am very much aware of the political sensitivities that could be attached to that. One of my colleagues at Flinders University is looking to buy a home, and she looks at me in horror every time I suggest this. But, as the research has shown, the First Home Owner Grant brought forward demand, and that has added to volatility in the housing market.

Senator KIRK—You have not really expanded upon how the FaHCSIA scheme might be—

Prof. Beer—I am not an expert in that, but I imagine there are a number of different ways in which it could be followed. It could be a referral program; it could be something that banks refer people to; it could be something that Relationships Australia takes responsibility for. We personally like the option of a no-interest loan. I think that would be an attractive position that people could adopt. I do not think it would necessarily be limited to only people who are at risk of falling out of homeownership because of divorce or separation. You could extend it to other groups with needs within society.

CHAIR—Thanks, Senator Kirk. Professor Beer, you might want to refer to the writings of Dr Alan Moran, from the Institute of Public Affairs, about why houses are so cheap in Dallas. He thinks it is all about supply: just open it all up; it makes it a lot cheaper. He gave us some very interesting evidence in Geelong last week. Not everybody on the committee found it as interesting as I did at the time, but it is an interesting theory about how it works in the United States versus how it works here.

That brings today's proceedings to a timely conclusion. I thank all four of you very much for joining us this afternoon and particularly for your submission. I must say we have found AHURI particularly helpful across Australia in our committee work, and we are very grateful for that, because the evidence is extremely valuable to us. I also want to thank my three colleagues for joining me today to make this hearing in Adelaide work. I

am very grateful for that. I declare this meeting of the Senate Select Committee on Housing Affordability in Australia adjourned.

Committee adjourned at 3.30 pm