



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TAX AND REVENUE

Housing affordability and supply in Australia

(Public)

WEDNESDAY, 10 NOVEMBER 2021

CANBERRA

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STANDING COMMITTEE ON TAX AND REVENUE

WEDNESDAY, 10 NOVEMBER 2021

Members in attendance: Mr Falinski [by video link], Ms Kearney [by video link], Ms Liu [by video link], Ms Owens [by video link], Mr Stevens [by audio link], Mr Thistlethwaite [by video link] and Mr Young [by audio link]

Terms of Reference for the Inquiry:

The House of Representatives Standing Committee on Tax and Revenue will inquire into and report on the contribution of tax and regulation on housing affordability and supply, that is:

- Examine the impact of current taxes, charges and regulatory settings at a Federal, State and Local Government level on housing supply;
- Identify and assess the factors that promote or impede responsive housing supply at the Federal, State and Local Government level; and
- Examine the effectiveness of initiatives to improve housing supply in other jurisdictions and their appropriateness in an Australian context.

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HAYHURST, Ms Wendy, Chief Executive Officer, Community Housing Industry Association [by video link]

Committee met at 09:00

CHAIR (Mr Falinski): I declare open this public hearing of the House Standing Committee on Tax and Revenue for the inquiry into housing affordability and supply in Australia. In accordance with the committee's resolution of 25 July 2019, the audio of this meeting will be broadcast on the parliament's website and proof and official transcripts of the proceedings will be published on the parliament's website.

I now welcome witnesses from the Community Housing Industry Association to give evidence today. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside of Australia. I now invite you to make an opening statement before we proceed to discussion.

Ms Hayhurst: Thank you, Chair. I would like to thank the committee for inviting the Community Housing Industry Association to attend the public hearing today. We represent all community housing organisations which are not-for-profit social and affordable housing providers across Australia. That's from the very largest to the smaller, more specialist organisations too. I would like to acknowledge that I'm speaking from the land of the Wangal and Gadigal people and pay my respects to elders past, present and emerging.

Last week, as in previous weeks, stories about surging house prices were all over the media. That's hardly surprising, given that, nationwide, the price of a mid-price home has risen by about \$2,500 a week over the last year, and more than double that in greater Sydney. Given near stagnant wage growth for young people who can't rely on parental help, home ownership looks increasingly unattainable. So it's right that the inquiry should be considering how to make home ownership more affordable to these [inaudible].

However, last week also saw the publication of the independent review into The National Housing Finance and Investment Corporation, NHFIC. Sadly, this got little media attention. That's sad because it raised supply and affordability issues that low-income earners experience. I'm talking about people on the aged pension, women and children escaping domestic and family violence and working families in jobs that are insecure or don't pay very much. The review estimated that the number of additional social housing dwellings Australia needs over the next 20 years is around 600,000. That's about 30,000 units a year. Instead, over the last few years, we've been building around 3,000 social housing units. Also, at the same time as building, we've also been selling or replacing existing units. While there are arguments to be made about how high supply constraints are driving up house prices, there's no doubt that more supply is needed to solve the problem for low-income Australians.

The NHFIC review acknowledges the scale of investment needed. It's a lot of money. Therefore, government support from all levels of government—that's the Commonwealth, the states and territories and local government—is a critical part of the investment. There are many ways that that support could be provided: in the form of grants, annual operating subsidies or discounted land, or alternatively through tax breaks for investors in social and affordable housing. There are positive signs. Some state governments have been upping their game. Institutional investors are also showing increased interest and there are councils that are donating land. CHIA believes that the Commonwealth government has the capacity, plus the physical firepower, to do much more, and the recommendations we've made—which we've restricted to the major ones; the ones that will make a difference—we believe would complement existing initiatives and turbocharge them.

A secure and affordable home is a fundamental part of a well-functioning housing system. It's not simply a safety net device for the most disadvantaged. It provides individuals who cannot afford to buy a home in the foreseeable future with safety and security, enabling them not just to get by but to get on. Building more social and affordable housing will add to housing supply in a beneficial, countercyclical manner. It has the same multiplier effects as market housing construction, and its cost to the government is offset, or even outweighed, by the benefits realised in reduced expenditure in other public sector budgets. Especially over the longer term, it can contribute to productivity gains that come from raising human capital.

By creating the NHFIC, the Commonwealth government put in place one important element to unlock social and affordable housing supply—a channel for cost-effective private finance—but we now need complementary reforms: better, smarter institutions, funding and policy settings. We have come up with a mechanism, as a contribution to that housing boost, and we want all of this articulated in a national housing plan to meet the current and future challenges.

CHAIR: Thank you. Wendy or Andrew, you talked about the need for increased spending by governments of all levels. How much spending do you think that would be per annum?

Ms Hayhurst: If we were going to reach something like 25,000 units a year, then each level of government will make a contribution. We have estimated in our housing boost—which is the solution that we think that the Commonwealth could introduce, which will be complemented by state and territory contributions—that the average subsidy per house annually is around \$12,000. If we're multiplying that by 30,000,—I haven't got my calculator here, but perhaps my colleague can just do a quick thing on his phone—that would be the Commonwealth contribution. I'm taking the NHFIC review's prediction of what's required to make up the shortfall of housing and also what we need to build to make sure that we're keeping up with population growth. So that's a Commonwealth contribution. We think that that will incentivise the states. The states hold land and so does local government. Local government can't make as big a contribution, so that's shared around. Also, housing organisations borrow, so we use NHFIC to access the bond market to borrow there. All of those things add up. No one individual organisation and no one individual level of government will solve this on their own.

CHAIR: So you think all the money should come from the Commonwealth, and I'm taking it that that's about \$360 million a year. Is that right?

Ms Hayhurst: I certainly don't think all the money should come from the Commonwealth. I'm saying this is a shared responsibility. It is a shared responsibility between all three levels of government. Because this is a Commonwealth inquiry, our recommendations focused on a subsidy that the Commonwealth can contribute and that's the \$12,000, on average—obviously, the price of housing and the price of land varies considerably across Australia, so the average subsidy is what it would be across Australia. The average subsidy for the Commonwealth contribution is around \$12,000 a year, but I'm certainly not suggesting that it's the Commonwealth's job to do all of the heavy lifting.

CHAIR: It seems to me, Wendy, in reading your submission and listening pretty carefully to what you just said, the view is that the Commonwealth should provide the funding and the states and local government should supply the land. I assume you think that they should supply sewerage, roads, electricity and that sort of infrastructure as well. Would that be fair?

Ms Hayhurst: I'm giving you an example, Chair, of what the states and local government could provide. Land is one element. They could choose, as Victoria has chosen at the moment, to make that a capital grant. It's up to them to decide what that contribution could be. I'm giving you a good example of what they can put in.

CHAIR: I see various estimates. St Vincent de Paul says that we're short 480,000 affordable and social houses. What is your estimate of how many houses we're short, in terms of social housing, at the moment?

Ms Hayhurst: The latest estimate has come from the government's own NHFIC review—the independent review—so I can understand how they've arrived at that. They've taken some very good research that was done by City Futures Research Centre at UNSW, and they've factored in changes in migration and population growth since COVID. So that's come out with a figure of 600,000 across Australia. That's both the shortfall and the additional housing to keep pace with population growth, going up to 2040. That's the figure for social housing. They've also estimated affordable housing on top of that, but those are the latest figures. I would add that there are varying estimates because we haven't, in the past, had a good and credible way of estimating housing need. We haven't done a national housing plan that has required that sort of estimation. We've gone for the big supply figures—the big totals of housing that we've needed. So that's why you will see variations of the estimate, but they're all big six-figure numbers.

CHAIR: This is my last question. I saw that report from the University of New South Wales and I think it was, out to 2035, an updated figure of 600,000. It costs about \$10 billion, using the Victorian example, to build about 10,000 social housing or public housing dwellings. So that's a shortfall of about \$600 billion. Does that sound about right?

Ms Hayhurst: Yes. I haven't got the NHFIC review to hand, but they also estimated the total cost of building the housing. But, when we look at the total costs, it's going to be made up of a number of things. The funding will come from a variety of sources. Community housing organisations can borrow money. They can borrow either via the banks or via NHFIC, so there'll be an element of the cost that will be covered by that, so it's not government funding. There is a subsidy that is required, and the subsidy is required because the rents that we charge to people do not cover the costs of building it and carrying on maintaining it as well. They just don't do that. So that's where the government subsidy comes in. What we're saying is that, because it is a large number and we recognise it's a large number, let's divide that cost between the various levels of government, so no-one is having to do it all.

Andrew could probably go into detail about how particular budgets are put up, but Andrew's model also requires—to try and get the government subsidy down—an element of cross-subsidisation. He builds some market for sale and uses the surplus generated there to bring down that cost as well. When we're talking about these figures, there are various tranches of different funding and finance. We put in our submission also mandatory inclusionary zoning. That's not popular with some of the colleagues that I work very well with in the property industry, but, if we design that right and have that expectation upfront so that people know, when they're buying land, that there's going to be a requirement to put in social and affordable housing, we can even share some of the costs of that with the owners of land. We've seen the values go up and, therefore, they're still going to get a gain on the sale of land, but we could put something of that value into the cost of building housing as well. So I think the big numbers can look scary, but we can break them down into manageable amounts.

CHAIR: Thank you. My time is up, Wendy. Julie.

Ms OWENS: Thank you, Wendy and Andrew. I've got two questions. The first one concerns all the terms that we use at the moment—social housing, community housing, public housing, affordable housing and now we've got shared equity co-op and build-to-rent. Some of those things need full funding, some of them just need guarantees and some of them need some change in regulation that allows for commercial investment. Can you give an overview about where it's going? It has moved a hell of a lot since the housing commission where I lived.

Ms Hayhurst: It does get quite complicated, doesn't it? I try and separate out for myself the type of housing, if you like. Social housing is housing that is usually targeted at the lowest incomes, and rents are set as a proportion of someone's income. That's social housing. Affordable housing will look very much like social housing—all of these things look very much the same—but it's targeted usually at people who are on a lower wage. I'm simplifying it a little bit. But there, essentially, the rent is set as a discount to market. Because it's aiming at, I suppose, a slightly higher income group, it needs less subsidy. Build-to-rent—well, it's all build-to-rent but, as that term's used in Australia, that's market housing but which has institutional investors as the funders. Therefore, people are investing in it because they want to get the return; it's not really so much the capital gain there. That more requires tax settings to change than an actual subsidy. Those are the three types of rental housing.

When you come to community housing and public housing, we're simply the provider of the housing. Community housing does social and affordable, and we can do a bit of market rent as well, and public housing does social and affordable housing. It's a different type of landlord; that's the best way of seeing it. So you're seeing public and community housing and private landlords as a provider of housing, with social and affordable and build-to-rent as the type of housing, if you like. I don't know if that makes sense.

Ms OWENS: You recommend, also, that governments collect, collate and produce nationally consistent data on what we need. A number of witnesses have suggested this. Can you expand on that? What are the current gaps? What are we missing?

Ms Hayhurst: We're missing so much that I don't really know where to start, but I will. First of all, we're missing housing need, and that's not just the big numbers but what different types of need there are: how much social and how much affordable. We're missing that basic information. We're also missing some really basic information on supply. Again, we can get information about starts. We can get it from the private sector and we can get it from the public sector, but I would defy you to find out good figures for how much my sector's building, and we certainly don't have very good information about projections of social and affordable housing. I gave some figures about what I thought we were building as social and affordable housing at the moment. I said it was about 3,000 a year. What I can't tell you is what we're planning to do going forward that will create the additional increase. I could probably do a rough figure to tell you, 'Victoria's doing this; Tasmania's doing that.' I don't know how much that's going to add to supply, as opposed to replacing existing properties that are sold. So we don't have just the basic fundamentals that we would need to really plan for the future. I guess that's one of the things that we want to see as part of going forward, just in institutions: a body—we're saying the housing agency—that brings together various responsibilities and has the remit to collect and report on that data or to collate information that's been collected elsewhere.

Ms OWENS: Thank you.

Ms LIU: Good morning, everyone. Thank you, Andrew and Wendy, for your submission. Do you agree that an increase in general housing would increase affordability across the entire population?

Ms Hayhurst: I'm very conscious that I'm answering them all, so I'm going to put my colleague on, but I'm happy to answer that one as well.

Mr Hannan: I'll let you start. I might chime in after you.

Ms Hayhurst: Do I think an overall increase of supply will increase affordability? I think it would, over a very, very long period of time. I'm sure you've heard from other witnesses that housing is not like other commodities. You tend to think that as you increase supply it will bring the price down, but it doesn't operate like that. There are so many other mechanisms. I think it's fair to say that at the moment we treat housing in two ways: we treat it as a place where we want to live and get on, and we also treat it as an investment vehicle. So I think it's much more complex. I'm not the expert on this, so I can't give you the chapter and verse on this. All I know is that, from the modelling I have seen, it will take a very long time for an increase in supply to bring down prices.

The other thing I would observe, from a long time working in housing, is that builders like to build in a rising market and, once prices start to dip or become stagnated, it can impact on the amount of supply they want to release into the market. I think that's perfectly understandable, but it just shows the difficulty of trying to build our way out of this without thinking of other things we need to do.

Ms LIU: Andrew, would you like to add anything to that?

Mr Hannan: Thank you. I support that. In theory, in basic economics, yes, if we increase the overall supply then it will have an effect, but it takes an awful lot of capital and an awful lot of time to do that, and the need is now.

Ms LIU: If we need to increase the number of houses, by how much do you think we need to increase it in Australia? Can you be more specific about different states?

Ms Hayhurst: Our expertise is more in social and affordable housing, so the figures that we look at are on that. I've looked very much at City Futures. In our submission, we looked at other mechanisms that have been used to look at the overall supply that we need here. So that's really where our expertise lies in terms of what additional housing we need. That's why I was talking about the NHFIC review's 600,000.

If you're asking me a question such as what proportion of housing dwellings across Australia should be social and affordable, I would say that should be about nine to 10 per cent. I say that because I'm looking at the figures that UNSW's City Futures Research Centre came up with and thinking about that total as a proportion of the total housing that we have in Australia at the moment. I will just give you an international comparison on that. You can tell by my accent that I am originally from England. There we have, even after reductions, about 18 per cent social and affordable housing. We're not saying Australia needs to go as high as that, but it certainly needs to get higher than 4.1 per cent of housing, as it is now.

Ms LIU: Thanks.

Mr THISTLETHWAITE: On the issue of social housing, do you think we should go back to the pre-1996 expectation that financial support from the Commonwealth under the National Housing and Homelessness Agreement should be devoted to new supply and investment in new dwellings?

Ms Hayhurst: I do think that the National Housing and Homelessness Agreement is a good framework on which to get the Commonwealth and state and territory levers working together, and I do think that the emphasis should be on additional new supply. Having said that, I don't think we should overlook that we have a large amount of housing at the moment. We need to make sure that we maintain that housing well and bring it up to a good standard. Residential housing has got to be decarbonised. We need to make it efficient for people to live in. So there's a balance there.

Mr THISTLETHWAITE: In this inquiry there has been a lot of discussion about supply not being adequate. If governments were to set supply at just above the rate of population increase do you think that would have an effect on house prices, that they'd moderate?

Ms Hayhurst: I am a social and affordable housing expert but I would say the same thing. People want housing for two big reasons these days: people want to invest in housing as well as live in it. Pulling one lever, the supply lever, will not solve the affordability problems for people on low incomes who can't get access to housing without parental help. So I'm sceptical that just increasing supply will have the designed impact of getting more people into home ownership lower down the income ladder.

Mr THISTLETHWAITE: We've had submissions from other parties about developer contributions—that they are stifling supply, that they are too high and that they are a handbrake on people investing in and building new dwellings. If developers don't fund that infrastructure, who should fund it?

Ms Hayhurst: I'm not against well-planned developer contributions. I talked about mandatory inclusion rezoning. What we have done there—and I think they are appearing before you later—is work with people under the Consolation Project, which is a private and non-profit collective, on how we would design developer contributions for affordable housing that would not create issues. Quite often the complaint I hear from

colleagues—and we do work well with the MBA, the HIA and the Property Council—is that contributions are sometimes not certain before they start the development. What we're saying is that contributions that are clear and certain before the developer buys the land can be priced into the cost they pay for that land. It's about things that come later in the day that haven't been predicted. I think contributions that are well-designed, that are certain and that don't change can be made to work.

Mr STEVENS: I have a few questions on supply. What you have said would be my natural view as well—that we need more affordable housing to be constructed, that we've got a shortage of affordable housing. When it's put to you and other witnesses that the challenge is supply, you seem to be almost frightened of saying the major challenge we have is new supply. I don't understand it. Can you reconcile with me why we need new stock, and issues on supply are an oversimplification and there are many more issues than that? Can you explain what I am missing and failing to understand here?

Ms Hayhurst: We're here because we represent a sector that provides housing for people on very low incomes, so I am the last person to say that our problem couldn't be solved by more supply of social and affordable housing. That isn't the argument I would make. I am telling you that I am not the private sector developer or population expert here. All I'm saying is that housing is more complicated as a good than some others. To give you an example, if the price of a good, say, bananas, went up—I have seen that example made—we would probably buy fewer bananas, but when the price of housing goes up we tend to buy more. What I am essentially saying is that people are interested in housing as an investment. So just saying the population is going to go buy X, therefore we need to build just a few more houses—

CHAIR: Sorry, Wendy, I have to interrupt there because that's just not true. What you're saying is absolutely right, which is when housing prices go up people can't get access to the market. They tend to buy less, not more.

Ms Hayhurst: I don't know whether that's absolutely how I've seen it happen. I've seen—

CHAIR: I respect you've got your thing, what you've observed anecdotally, but the statistics can't be quibbled with. When prices go up in housing demand for housing actually goes down, not up. That's the problem that we're trying to solve now.

Ms Hayhurst: I think it's probably a bit more complicated than that because people are buying more than one house. Andrew, you may want to come in here.

Mr Hannan: Yes, I will try. Yes, more supply is going to be beneficial. So more supply, I guess, is necessary but not sufficient. In the sector we represent it's about supply of a certain type and that's social and affordable rental housing. If the mechanisms or the levers just resulted in greater overall supply that's not going to be addressed and it's not going to be addressed efficiently unless there are specific levers to grow supply of the certain type that we're talking about, which is social and affordable rental.

CHAIR: I'm sorry. I shouldn't do this as chair. I'm being completely indulgent. Cut me off if you want!

Mr STEVENS: Can I ask my second question and then I'll leave it?

CHAIR: Yes.

Mr STEVENS: I totally agree with your final point there. I don't know why it was so complicated and took 20 minutes to get to. Ultimately you're saying that you do agree that supply is an issue. General supply metrics aren't enough for your sector, but if we had specific supply metrics that delivered affordable housing to your sector you'd be supportive of that—that is, if we can get more supply in that isn't just a general free-for-all that investors can cannibalise et cetera, and if we genuinely increase the supply of housing to the category of people that you are here to represent and they could genuinely access it, it would be a good thing. So supply is the issue, but you can't over simplify it and say, 'Just release another million blocks of land,' you've got to do it in a nuanced way that makes sure the people who need it can get access to it.

Ms Hayhurst: Absolutely.

Mr Hannan: Yes, definitely.

Mr STEVENS: Good. We've had so many witnesses who have not been able to make it that simple and straightforward. Supply is the fundamental issue but it's much more complicated than just a generic approach to supply. Thanks, Chair.

CHAIR: Thank you, James. Ged?

Ms KEARNEY: Thanks, Chair. I agree with James' comment—thank you for clarifying—it's not just an issue of supply. We heard from the Reserve Bank that supply simply hasn't kept up with demand—in an economic environment where interest rates are very low, where money is cheap and where investors are buying up the supply faster than people who need a home. Then that makes a very complicated housing cycle that doesn't

necessarily keep it affordable, which I think is what you're talking about here today as well. James, thank you for clarifying that. I think that was a good thing to do.

My question is about inclusionary zoning. I know you stated that it does work in other countries and that there are areas where you've seen it work. Do you have an idea of what the optimal percentage of development allocated to inclusionary zoning should be? I don't think you mention that in your submission. That's my first question. In the interest of time, I might pop my second question in now. Actually, I might just leave it at inclusionary zoning for the minute, because most of what I was going to ask you covered off last time.

Ms Hayhurst: The first thing about mandatory inclusionary zoning is that I have seen it work. It works in areas where land values are reasonably high, so it doesn't work across all areas. The work that we've been doing with Constellation has been modelled on around about 10 per cent of an area.

Ms KEARNEY: We've had a couple of people at this inquiry talk about the number of vacant and derelict properties that are around. We heard from the LGAs yesterday, saying that, if there were frameworks and policies that disincentivised people leaving properties vacant and allowing them to run derelict, it could indeed help with the supply issue that we're talking about. Do you have any views about that? Do you think there are policies that, particularly, federal governments could implement that would stop people leaving properties vacant?

Ms Hayhurst: There have been some schemes, but they've been operated, generally, at a local council level. I'm aware of cities like Vancouver, for example, which have had a vacant property tax. They're always a bit more complicated than they might seem, partly because you have to establish that the property is actually vacant, and that can be quite hard to do. You can imagine that, administratively, they can be quite complex as well. So I think they can be part of the mix; I don't think they're a game changer.

Mr Hannan: In terms of the vacant property tax, that's a policy that's in place within the ACT. I'm not aware of all the other jurisdictions—

Ms KEARNEY: I think Victoria has one.

Mr Hannan: I'm not best placed to talk to the outcomes as a result of that. There's one other point I would make in regard to your first question, about mandatory inclusionary zoning. Again, I harp on about this. Yes, it helps supply, but supply of what type? In some jurisdictions, the focus is on affordable homes for purchase, and in some it's on affordable homes for rental or social homes for rental. It's important to get into what the outcome is that's trying to be achieved. In the case of the ACT, for example, it's about the mandatory inclusionary zoning. There's a 15 per cent target on certain developments, and that's all about producing product to support affordable homeownership. It doesn't result in increased supply of affordable rental stock.

Ms KEARNEY: That's interesting. Do we have any evidence about that? Is there any research written up about the success or otherwise of inclusionary zoning? Can we access that?

Mr Hannan: Are you talking with respect to the ACT in particular or just in general?

Ms KEARNEY: The general concept, I guess.

Mr Hannan: Wendy, I might defer to you in terms of what—

CHAIR: Andrew, there are a lot of studies out of the UK on this, aren't there?

Ms Hayhurst: Yes.

Ms KEARNEY: Okay. Thanks, Chair; that's fine for me.

CHAIR: Are you sure, Ged?

Ms KEARNEY: Yes. I'm letting you off lightly!

CHAIR: You are, indeed—me specifically. Thank you very much, Wendy and Andrew. We really appreciate your time today. Is there anything that either of you would like to add before I call the next witnesses?

Mr Hannan: Obviously the focus of this inquiry is the levers at a Commonwealth level. It is acknowledged that a multilevel response is needed, and, in terms of the subsidies we've been talking about, it's all about accounting for the fact that we're getting an affordable rental return or a social rental return which is below the market rental return. It's about trying to get that back up to the equivalent market rent. That's how the subsidies are sized—whether you're looking at this from a community housing provider's perspective; a private developer's perspective, in partnership with a community housing provider; or as a financier looking to support projects in this sector.

CHAIR: Thank you, Andrew. That's a really good point. Thank you, Wendy and Andrew, for your participation today. If you've been asked to provide any additional information, please forward it to the secretariat by Wednesday 24 November 2021. Andrew, I would suggest the request from Ms Kearney over the impact of

inclusionary zones in the UK would be good, if you can provide any of those. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors. Thank you.

LEMON, Ms Nicola, Chair, PowerHousing Australia [by video link]

PROUD, Mr Nicholas, Chief Executive Officer, PowerHousing Australia [by video link]

[09:40]

CHAIR: Welcome. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that although your evidence is protected by parliamentary privilege this protection cannot be enforced outside Australia. I now invite you to make an opening statement before we proceed to discussion.

Ms Lemon: Hello. Thank you for having PowerHousing attend. I'll give a brief overview for you on PowerHousing. PowerHousing is a membership body for the community housing industry for the larger scale community housing providers. We have 36 large-scale CHPs, who manage or own around 70,000 homes and 125,000 tenants living in those homes. We also have a model that includes affiliate partnerships and affiliate members, and we have 50 capable partners with the likes of ANZ, Metricon, JLL and AVJennings, so very much our community housing provider members work in partnership with those commercial entities to get better outcomes for our customers.

We've made a submission. I want to highlight a couple of things from that submission before we take questions. I wanted to make commentary about a global housing crisis that Australia is part of. At the moment, real estate value represents \$217 trillion US. That's more than twice global GDP. The financialisation of housing and the use of housing to park, grow and leverage capital has been something that's been happening significantly across the globe and absolutely occurring in Australia. So, rather than housing being a commodity for a mum and dad with a mortgage, it's actually been financialised. It's based on the idea that housing is a liquid investment, an available commodity with an amount of capital available to invest in it.

For the customers that our members serve, and they're part of the community that community housing providers work with, that financialisation of housing creates an inevitable tension between housing as a human right and housing as a financial asset. The imbalance of that needs to be addressed, in PowerHousing's view. Governments really need to take seriously their obligations in the former—that is, housing as a human right. In many countries across the globe, including Australia, tax breaks and arrangements encourage that financialisation of housing, and what happens then is that governments at all levels become part of a system that encourages investment in housing rather than serving the housing-is-a-human-right part of the puzzle.

There are also, because of that serving of those investments, things like tenants' rights, rent control, lease lenders. Those kinds of things make housing more liquid and a more attractive investment.

So actually the reduction of tenants' rights encourages investment in real estate. When we're talking about our customers in this submission, we're talking about social and affordable housing customers who are on very low and low income, the large majority of whom will never own a home no matter what interventions we put in place and will require being dependent on housing as a human right, government, and CHP interventions in partnership with commercial entities to allow that to happen.

I can speak to some of the key tenets of our submission if you wish, or that may come out through the questioning. It's up to you.

CHAIR: No, do not rely on that. If I were you, I'd speak to them now or forever hold your peace.

Ms Lemon: Thank you. What we've seen coming from around the globe to Australia is that pre-COVID there was an expected drop in house prices and rents, but instead we've seen a 13 per cent increase in the last financial year. In our standard house report that we will table for you today virtually, we talked about the race for space and the fact that regional rents are up 10 per cent on average across our regional areas, and our members have really seen the pressure that's putting on regional homes. The Anglicare report snapshot showed only three rentals, from 75,000 listed, as affordable for a single family, and the number of homes selling for under \$400,000 has gone from 44 per cent in 2011 to 22 per cent this year. A record number of new homes have started in the June quarter, and they're still not taking the edge off the pricing. So the problem does need an intervention.

Like our colleagues at CHIA, who made their submission prior to us, we have called for a national plan for housing. Some people are spending 95 per cent of the day within a home—home schooling, working and replenishing within their home. If ever there were a time to put focus on the value of having a home, it's been during this COVID crisis. We also know that health and wellbeing outcomes start with the home. If we expect our customers to prosper and for people to improve their lot, stable accommodation upon which they can rely and afford and that is appropriate amenity is absolutely essential to that prospering.

The other issue is the replenishing of old stock. The National Housing and Homelessness Agreement and future renegotiations of that could contribute to some of the challenge in which we have just under eight million pre-energy-rating Australian homes that are now past their use-by date. They contribute to up to 18 per cent of Australia's greenhouse gas emissions. A lot of that is end-of-life public and social housing portfolios, some of which our community housing providers manage, and they struggle to get the financial metrics right to enable redevelopment.

As members of the aggregated debt and equity piece, NHFIC has done a great job done. Twenty PowerHousing members have accessed over \$2 billion low-cost, low-term debt. The important of the government guarantee and the extension of that guarantee cannot be underestimated and the raising of the cap is exceptionally important. We've now seen the establishment of that market—the market I talked about at the beginning—coming into play in Australia. There's a wave of that capital looking for impact investment opportunities, but we need to get the settings right and balance that, as I say, with the tensions of housing as a human right and the rights of those renters.

There are some enablers that we've considered: removal of the five-year GST payment for CHP developed homes, where we can put some shared equity opportunities into community housing spaces and for our customers, and shoring up charity status. PVI status and potentially changes to the charities and fringe benefit tax act would suffice to safeguard the sector from unnecessary risk, make it doubly attractive to external investment and uphold the rights of tenants. There are international examples of tax credit type incentives that have worked, and in the US for 35 years the low-income tax credit incentive has worked exceptionally well. With proposals such as the Housing Australian Future Fund and some of the proposals put forward by CHIA, we can strongly leverage off the knowledge and expertise of CHPs. They're a safe pair of hands for government and private investment and are really making a difference in the lives of people living in social and affordable housing.

Mr Proud: I would reflectively table for the inquiry the *Australian affordable housing report*, which, as Nicola indicated, provides a very contemporary view of housing in Australia today. We see that there is a significant number of homes in our country that were built before we had the kind of technology that operates in those homes, before we had this type of crisis. If you were in Melbourne over the lockdown period, you would realise how hot it is, how cold it is and how expensive it is to heat. The wellbeing of those people has suffered significantly. A home has become much more than a place that you lay your head down if you're lucky to have a home that you own. The report really digs into the lack of environmental future-proofing in Australian housing stock has. I think the interest of the national media in that last week was significant and the ongoing interest in how we replenish the housing is important. The key thing to think about with that report is that we have a lot of homes that are underperforming and past their use-by date, and we see there's opportunity to potentially take a 50-year-old home that has a lot of memories, keep the photos and move towards replacing that with a brand-new seven-star, universally designed—so liveable housing standards will be part of the building framework that all new homes have to consider. You could have three outcomes on that one lot. That one lot has to be on a bus route. It's probably within five or 10 kays of the city, in proximity to jobs, retail, child care and those types of services. I think creating those additional outcomes is very much possible.

One of the last things in the summary point is to reflect that the carbon plan indicates that seven million homes by 2050 will not have any National Construction Code improvements, which would reflect that almost seven out of eight of those homes potentially will not have been touched by energy efficiency. We're decades away from those homes contributing to lowering emissions and contributing to carbon net zero. It's an important document. We've tabled it for the inquiry today, and it's very much something that digs into a lot of areas such as taxation and relief from the current challenges that we face as a country.

CHAIR: Thank you very much. Members, I think we all have time for one or two questions. If we have any time left at the end, I will come back around again. I will keep the same order as I did last time. Nicola and Nicholas, we heard from the Community Housing Industry Association that we might be short up to 600,000 social houses by 2035. Would you say that that figure is right, or do you think it might be an exaggeration?

Mr Proud: I'm going to jump in there first and say anyone who can tell you how many homes we need has a crystal ball that I think every economist in this country that has any interest in housing would love to have. It's hard to put a number on what that is. As Nicola said, we saw a record supply in June quarter, and it's not even slightly taken the edge off housing. If you talk to economists, you throw the economists' book out the door on that set of integers. So there is a large number that's needed. The Greens have said that it's a million homes that they'd build. That's a logistical challenge that I think it would take a whole country to think about, and we did done that post war; we put the whole country's mind towards housing. It is a large number, and certainly in that realm you would start calculating towards that number and you might get it right. That's my personal view on that.

CHAIR: Member for Parramatta.

Ms OWENS: Your submission is really interesting because, even though you're talking about housing as a human right, your submission focuses on it as an investment. You've got a range of recommendations: changing investment structures, the five-year GST rule, shared equity. If the three tiers of governments got this right, where would the money come from for these additional 50,000 affordable homes a year?

Mr Proud: I will, hopefully, keep this brief for Nicola and add where this will flow through to. There's a wave of international investment looking for environmental social governance investment strategy. They're looking for a five to 10 per cent yield. They're not looking for massive gains; they're looking for something that does contribute to social outcome. They're realising that their previous investment strategies have probably provided a yield but that's about it. That's great for shareholders, but it's not great for society. So we see that there is an opportunity where, given the right government guarantees, like NHFIC, you will see a wave of capital that then flows into creating new social and affordable housing stock. We're talking about investment not in five- to seven-year play but 20- to 50-year play. We're talking about long-term investment into outcomes that organisations such as Nicola's, which is community housing, provide. I will stop there briefly, and maybe Nicola can add how that investment enables organisations such as this one and St George Community Housing, who are coming up later.

Ms Lemon: Yes, I should have mentioned at the beginning the opportunity to say I'm the CEO of [inaudible] community housing and a practitioner as well [inaudible]. We recognise that working with an investment market is essential, and the reason that I mentioned the global housing market is that that's the trend that's going to continue. That's something we need to engage with. The challenge is, as I said, that tension with human rights—as you mentioned, that we make sure we get a product out of that that is suitable for the customers that we serve and that they don't fall out of the bottom of this global trillion-dollar investment in assets. The way that we see this working is that, because as a community housing provider we charge a subsidised rent but pay the same price for construction, there's a gap between the rent we charge and what it costs us to build, develop and maintain the property. We see that there is a solution.

We don't have to be the owners of the property; we see a solution where these investors that are looking for their ESG investment home can invest in community housing, but there will be a gap. There is a subsidy gap between what it costs to develop and maintain a home and [inaudible], and somebody has to bear the weight of that gap. Now, community housing can do some things such as draw down the cheap cost of debt and attract cheaper equity because there's an ESG element to it, but still the modelling shows it's really difficult to deliver viable long-term properties unless that subsidy gap is filled. That gap can be filled by land from state governments, a type of subsidy product, a tax incentive such as how NRAs worked previously to get more supply—

Ms OWENS: The return on the investment in the house itself is one return, but there's also a return to the taxpayer in the success of a person that has permanent or stable housing. Is there any data that shows the cost of not having housing in certain social groups or the financial benefit to the taxpayer, if housing is supplied to certain kinds of groups: single parents, pensioners et cetera? Is the data there that proves the case?

Ms Lemon: So each community housing provider does its own work in trying to measure the impact that it has. I am aware of a number of different studies that show what preventive savings there are to government and therefore the taxpayer as a result of housing as an intervention. There are things like housing-first programs. There's a program called Together Home delivered by community housing providers in New South Wales, where we are rehousing people who have been previously sleeping on the street. There are cost savings in them not making mental health presentations to A&E or being involved in the justice system or the weight of drug and alcohol use and the costs of that. It's not super well refined, but I can dig some information out that might help inform you on the preventative costs of having a safe and secure home.

Ms OWENS: If we wanted to attract the impact investing style funding, of which there are trillions looking for ideas, we'd need that data, wouldn't we?

Ms Lemon: That's right. I know that all the CHPs, including my own organisation, are also lining themselves up against the UN Sustainable Development Goals, which are increasingly becoming the metric that ESG investors are happy to measure against. The sector is doing work around measuring its impact against those UN sustainable goals, and therefore we can demonstrate the impact that we're having. It's a bit of a longer bow to draw in terms of preventive costs to the taxpayers, which is more difficult, but it's absolutely work that the sector has been doing.

Ms OWENS: Thank you very much. Thanks, Jason.

CHAIR: Thank you. Matt?

Mr THISTLETHWAITE: Thank you. Thanks for your submission. I'm particularly keen on your suggestion around the five-year GST rule. What sort of time limit are you suggesting as an alternative to that?

Mr Proud: When we develop a house and then we sell it—it's similar for retirement-living providers—there's not a tax implication for GST. But if we've developed it and if we were to sell it after five years, there's a GST component even though it has been used for five years. It's an anomaly. We've had discussions around how this would work with some tax partners that have worked around this, and have some awareness of what the ATO thinks of this. It's an anomaly, and we'd like to work on that. It's something that requires a bigger change, changing the tax act. As we all know that is one of the hardest things to do, but, as we head towards the next term of government, we think it's something of a priority that we need to see as a country. We've removed that five-year cost. It's a reduction of our feasibility of developing that. We normally wouldn't sell those homes after five years, but there may be a strategy to build, say, 10, and we sell one or two. If we sold two in five years time, if it attracts GST, then that erodes feasibility of that concept.

In the case where you sell one or two out of 10, if that is what it was, that helps fill that yield gap, that 25 per cent below the market rent that we have to pay as part of the feasibility that you do over a 20-year period. Those are the types of things that make it possible to charge rent that's below the market level. That's just one of those simple probably low-hanging fruit, although changing the tax act is difficult, as I said. But it's a concept that we have seen the ATO is in favour of—or at least believes it's an anomaly and shouldn't be there—and it's something we need to address in the near future.

Mr THISTLETHWAITE: How do you fix that anomaly? Have you asked the tax office to look at that? Have they responded?

Mr Proud: We have. I think they're very busy at the moment, so hopefully they'll come back to us, but we certainly can table the thinking for this inquiry.

Mr THISTLETHWAITE: If you could provide that on notice then that would be helpful.

Mr Proud: We'll table that today, and we'll provide the detail of why it's an anomaly and how then to resolve it.

Mr THISTLETHWAITE: Good. Your organisation is part of an international group around affordable housing. Which jurisdiction do you think does it the best that you think we should look at?

Mr Proud: We could get into trouble here, Nicola!

Ms Lemon: I know! I'm not sure, with my accent, I should be answering this. In all seriousness, the International Housing Partnership offers many benefits, and many of those are about learning from what has worked and what hasn't worked overseas. Australia has a smaller community housing sector than the US, the UK and Europe. That means it has an opportunity to use the best bits of each of those jurisdictions. Title transfer and large-scale [inaudible] in the UK is fantastic. Low-income tax credits and the Community Reinvestment Act in the US is really beneficial there as well. As I said, with my accent it's very easy to say that we should do it the way that I've learnt to do it in the UK. That's not right. What I've actually learnt is there is plenty of opportunity to pick the best bits and not make the mistakes in the Australian sector.

Mr Proud: I've been across to the US about four times with this. My first trip was with for-profit developers. I brought back a concept, which was build to rent, of which those large developers said, 'We're going to build it [inaudible] going to rent it.' That's what they do in the States. It's a different model, it's a low-cost model and the concierge, upper level, will be something to consider here. Six years later we see that has come out of the ground, and it's a concept.

I think it's very similar to the investment strategies that have been running since 1986, with the tax credit system and the maturity of those organisations that invest into social and affordable housing, into safe, long-term, recession proof, now obviously COVID proof, investment strategy to diversify, if that's what you're after, or for the social impact. I think, yes, with that accent Nicola leans towards the UK. Because of my experience of being on the ground with Ford Foundation, [inaudible], the San Francisco Foundation, Morgan Stanley, Pension Real Estate Association and ULI NAHB—all these large organisations are mixing for-profit and not-for-profit collaborations. That's why we've got all those large businesses—the Metricons, Simmonds and ANZs et cetera—working in our group. It's a cross-collaboration of mutual interests, and we meet in that middle place, which is a yield and also the social impact outcomes. What I've learnt from the US is that they can have that in perpetuity. It's not about selling it in seven years. The home is there forever as affordable, which is a very strong way to tackle the problem we have today.

Mr THISTLETHWAITE: Thank you.

CHAIR: James, do you have any questions?

Mr STEVENS: Yes, thanks. I have one question, possibly in two or three parts. What's the view on these mandates that state governments—

CHAIR: James, that would make it three questions. One question in three parts is another way of saying you have three questions.

Mr STEVENS: I'll keep it to one then. It's just a question for comment on the mandates that are in place around new land release for development by state governments. I have a development in my electorate, in South Australia, where they've got a minimum amount of what they call affordable housing. I think the threshold is \$450,000 or under for dwellings. What's the view of your organisation on some of those prescriptions, which I suppose are supply side prescriptions, around new land release and quarantining or having particular requirements on a percentage of new land releases to be affordable and, possibly more relevant to you, even going as far as being in partnerships with community housing et cetera.

Ms Lemon: I'm happy to answer, Nick. Inclusionary zoning or mandating what's built on government land or private land is one of the successful initiatives in the UK. For community housing providers like our members, it allows that collaboration to occur and it also creates mixed-use communities. You don't necessarily have a large concentration of social housing that's an inappropriate, old, end-of-life property that, in itself, can lend itself to creating more social and economic discord. It allows mixed tenant communities. It's essential if you're talking about increasing the supply. I heard your prior conversation with CHIA. You've got to determine who that supply is targeted at, otherwise just supplying into the market is not going to work. Inclusionary zoning or mandating what's built on government-owned land—state- or council-owned land—is one way to ensure that the right supply is provided to the people in need.

Mr Proud: I've been tracking the economics of this for 15 years for the brands of HIA, the Property Council and obviously here. There is not really any affordable housing in Australia. It's becoming harder and harder. In Melbourne, 1.4 per cent of all homes sold were sold for under \$400,000. The challenge with those policies is, if it's sold at an affordable level, whether it's actually affordable. That's the first question. It's probably not. The amount of money people are paying to have that home and to pay the mortgage is extraordinary. How long does it remain in that price range where someone then sells it? The difference with CHPs is that, in 20 years time, they will be affordable and they'll be at the rate that people can afford. I think that's a better way to look at long-term structure. The question is: 'what is the problem?' It's simply that housing in Australia has become very much unaffordable. Tackling that first point is the key thing, and I'm not sure we're quite getting it at this point.

Mr STEVENS: Thank you.

CHAIR: Ged, do you have any questions?

Ms KEARNEY: Yes. Thanks, Chair. I'm interested in carrying on the conversation about your section and your submission—and thank you for your submission, actually. It's great to have concrete recommendations for solutions to a problem rather than just talking about the problem. It's really good.

On the opportunities for aggregated equity: I have a long history with the superannuation industry in Australia, and it's always been a very difficult conversation to get the industry's head around affordable housing as a separate asset—separate from real estate—because it doesn't return the same as real estate. You say, 'We need governments to incentivise social and affordable housing investment through long-term equity structures.' What do those equity structures look like? Are they government bonds for affordable housing? What do they look like? Have you had a conversation with the super industry in Australia about that? How is it going? I'd be very keen to know.

Mr Proud: You can read the property sections of the newspapers and you'll see that, like yesterday, Lighthouse Infrastructure has \$59 million going into a project. Two weeks ago, I think, it was Conscious Investment Management with Housing First, and we're talking about \$150 million in that transaction. There's equity flowing into social and affordable housing, and what we are looking for—there are a few different ways of doing this—is being able to incentivise and shore up that yield, to look at what transactions are being made that create social housing outcomes and to look at the structures that support that, so providing the government's hand on the shoulder is very important to that.

Something such as the Housing Australia Future Fund that's been proposed by the ALP will provide investment and equity flows and structures that government doesn't need to do much to support or to do anything with; they will just bring up the specialist disability accommodation. There are equity structures trying to navigate and work around that at the moment. If the government gives a signal towards that, or provides an element of support to that concept, those will flourish and, five years from now, housing will be an asset class in Australia.

Ms KEARNEY: That's very helpful. Thank you. I'll ask this very quickly, Chair, because the questions have been great. In your appendix, you talk about federal housing policy and give the pros and cons of all the things that exist currently. Are you suggesting that we keep these and improve on them, or are you suggesting that we scrap what we've got now and start again? What are your thoughts there?

Mr Proud: I'm just going to say something quickly and then give Nicola a chance to conclude. Every housing policy Australia's ever done has always done something. When we had the NRAS, it pulled us out of a recessionary period and saw housing go out of the park. We'd never seen first homebuyers reflect that—not at that time, anyway. They came from nowhere. There was a resurgence. We'd never seen that many social housing homes built at that time; we trebled the number of homes in social housing being developed. Government housing increased. Everything worked at that time.

In the last 12 months, we've gone from having negative housing prices and rents to seeing the highest number of homes ever commenced in Australia's history, in the June quarter. That's just extraordinary, and that's on the back of policies of government. You can debate the merits of all of them, but they all have an impact and they bring an outcome. Nicola, I'll let you conclude.

Ms Lemon: I would say that community housing providers have grown exponentially since 2008, and they have been able to do that by utilising their skill sets, their links and their partnerships with state government and the community services sector, as well as building relationships that are productive with commercial entities. They have been a conduit. But we've done that under duress, at times, in some of the least affordable cities in the world and under schemes that are started and then end when there's a change of government or minister. All I would say is that, whatever we do, it needs to be replicable and scalable and certain. That will attract the investment, and then we know that we are looking at solving that supply gap as well as securing the future of many Australian people. We need something bipartisan, replicable and scalable.

CHAIR: Thank you to Nicola and Nicholas. We really appreciate your time. If you have been asked to provide any additional information, could you please forward it to the secretariat by Wednesday 24 November. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors.

DEGOTARDI, Mr Mark, Chief Executive Officer, Community Housing Industry Association NSW [by video link]

SAMPSON, Ms Lisa, Chief Executive Officer, Aboriginal Community Housing Industry Association NSW [by video link]

[10:16]

CHAIR: I would now like to call on members from the Community Housing Industry Association and the Aboriginal Community Housing Industry Association. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is serious and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside Australia. I now invite you to make an opening statement before we proceed to discussion.

Mr Degotardi: Thank you and thanks to the committee for the invitation to appear here today. I am joining you from the land of the Gadigal people, and I pay my respects to their elders past, present and emerging. I am here today as a representative of the New South Wales community housing sector. Our members own or manage over 50,000 homes, making us the largest community housing and Aboriginal community housing sector in Australia. I noted yesterday in preparing for today that the inquiry had received over 150 submissions from a pretty diverse range of organisations and individuals. Some of those are no doubt self-interested, some academic and some probably critical, but their volume speaks to the particular and special place that housing has in the fabric of our communities. Never in my lifetime has this been brought into sharper focus than over the last few years, as we navigated the global pandemic. Our homes have become our lives and our protection. As much as we might have wanted to leave them by the end of various lockdowns, we were pretty grateful for the shelter—literally and figuratively—that they provided. Not everybody had that shelter.

I know some commentators have expressed a view that this is yet another housing inquiry. I understand this view, but I don't share it. Any opportunity to have sensible and contested debate about how we can better provide affordable housing for more Australians is an opportunity we should take, and I want to thank the chair and the committee members for devoting your time to this important work. Unsurprisingly, like many that have made submissions or appeared before you, I have some asks. As we engage in the sensible and contested debate, let's talk about both affordable home ownership and affordable rental homes. It's entirely reasonable that families should aspire to own their own home, but it's equally reasonable to acknowledge that for a growing proportion of Australians, either by choice or circumstance, long-term rental accommodation will be where they make their home.

Let's agree that making the housing market as efficient as possible, whether by limiting taxes, streamlining approvals or improving planning policies, is a sensible way of ensuring that housing continues to be built to meet demand. But let's also agree that the private market cannot and will not meet the demands of everyone in the housing market. Government, not-for-profit providers and perhaps institutional investors will need to play a role in providing affordable rental accommodation for a range of low- and very-low-income households.

Let's also agree that the current rapid rise in housing prices, much commented on, does not fit the traditional or expected demand-and-supply models. House prices are not being driven upwards by population growth or by wage growth. Other more significant factors are at play; some are within the power of government, like taxation settings, and others are outside of it.

Let's also agree that it is everybody's problem when metropolitan and regional communities across Australia are unable to provide affordable homes for essential workers and low-income families. If you are paying too much rent, don't buy your schoolbooks or decent food, or don't go to the doctor when you should, I suspect you don't really care which level of government is to blame. When it comes to developing solutions, I suggest we shouldn't care either.

In our case, in New South Wales, there are more than 51,000 eligible houses on the social housing waiting list, and most of them will wait 10 years to get any help. The New South Wales Treasury's own modelling suggests demographic shifts will see that waiting list more than double over the coming decades. We know the scale of the challenge facing all of us. Decades of underinvestment in social and affordable housing at all levels of government have contributed to this problem. It's not that governments haven't done anything; it's simply that what has been done is not currently enough.

As leaders, responsibility for change sits with all of us, and I certainly urge the committee to take on that responsibility. Let's commit to the development of a national housing strategy. Let's look at the National Housing and Homelessness Agreement, up for re-negotiation next year, as a catalyst for change and renewed cooperation.

Let's recognise that investment in social and affordable housing is a critical infrastructure investment that creates jobs and economic growth and builds stronger communities. Let's work to develop planning policies that are fair and consistent for all and that recognise the importance of affordable housing.

Thanks again for the opportunity to appear today.

Ms Sampson: Thank you to the standing committee for the opportunity to join you today. I open by acknowledging the traditional owners of the land from which I join you all here today. I join you from where the lands of the Darug and Gandangara nations meet, from where the sandstone curtain drops from the top of what we today call the Blue Mountains down into the Hartley Valley. I acknowledge elders past, present and emerging, and seek to tread gently in their footsteps and pay respects to all Aboriginal and non-Aboriginal people present here today.

The Aboriginal Community Housing Industry Association NSW is the peak body representing 192 Aboriginal community housing providers that deliver housing and other services to Aboriginal communities around New South Wales. Aboriginal community housing providers provide 4,971 homes across urban, regional and remote New South Wales, and, in conjunction with public housing providers such as the Aboriginal Housing Office and the Department of Communities and Justice, supply and manage housing for very-low-income, low-income and moderate-income households.

Aboriginal people in New South Wales have around half the rate of homeownership in New South Wales, compared with other Australians. Homeownership has become a significant driver of intergenerational wealth, and the building of such intergenerational wealth has been forfeited by Aboriginal Australians who first had their lands taken from them and had successive adverse legislation passed to control and limit their life opportunities and chances.

But our communities have survived. We have seen native title come to pass and the repatriation of lands to traditional owners. In New South Wales, the struggle for land rights has resulted in the formation of 120 local Aboriginal land councils and numerous successful land claims. These have created a set of assets put back in the hands of Aboriginal community controlled organisations—organisations that are controlled by their communities, where land-dealing decisions, in terms of leveraging those land assets, are made by vote. It's a perfect example of democracy.

Aboriginal community housing providers, many of whom are local Aboriginal land councils, along with larger managing providers that have been developing more and greater capacity to deliver social housing and affordable housing in New South Wales, are in a position to redress the wrongs of the past in an economically savvy way. With significant land assets held by many local Aboriginal land councils, and in conjunction with large managing providers, we can address the housing shortages faced by Aboriginal communities. This is an opportunity for us to look at the fact that, across Australia, almost 39 per cent of the landmass is actually owned by Aboriginal controlled organisations. This is a perfect opportunity, under the standing committee's remit of reviewing tax and revenue, to look at the other opportunities that we can avail ourselves of to leverage the latent power in the Aboriginal community housing sector. There are assets there that are able to be leveraged. We want to work in conjunction with public housing and other authorities. We want to do that through the National Housing and Homelessness Agreement, which is up for renewable and which Mark has spoken to previously. We want to do it in conjunction with Closing the Gap. We see these as significant Lego bricks that can build us a new way forward and a new foundation upon which we can springboard into the future.

We also see this as an opportunity to place housing at the centre of the service mix that needs to exist in order to address intersectional disadvantage—wraparound services that are needed to address the families who are experiencing domestic violence; families who are experiencing intergenerational poverty; families who are experiencing child protection issues and who interface with the criminal justice system—and overcrowding in Aboriginal communities.

CHAIR: Thank you. I was incredibly moved by your analysis of the situation and the importance that homeownership plays in intergenerational wealth and wealth inequality in a society, plus all the other building blocks that you referred to which are important for all of us and specifically our First Nations people in terms of being able to build a better life. How do you think we can reach people who have traditionally been locked out of the housing market and show them that this is a pathway to a better life?

Ms Sampson: What we have to do is utilise the structures that we have built. Those structures have been built by community but also in conjunction with government. We have six tier 2 NRSCH registered Aboriginal community housing providers in New South Wales. We have 13 tier 3 NRSCH registered Aboriginal community housing providers registered Aboriginal community providers in New South Wales. These Aboriginal community

housing providers have jumped the same hurdles as the mainstream community housing providers that are represented so ably by CHIA New South Wales. We want to see similar levels of opportunity and parity in how Aboriginal and mainstream community housing providers are treated—especially when we have a class of assets owned by many Aboriginal community housing providers that probably present less risk to government because of the lower need for the granting of concessional land in order to make up finance and funding packages to be able to produce a long pipeline of housing assets that stretches well into the future. What we don't have at this point in time is equal treatment of Aboriginal community housing providers, particularly by state governments, in terms of being able to look at the kinds of contracts that are in place to enable Aboriginal community housing providers to leverage those land assets and create social and affordable housing, as well as mixed developments, that stretch into the future. We are under no illusion: mixed asset developments also help to create that longer supply pipeline and also help to create a more integrated society. Aboriginal communities have no wish to create ongoing ghettos, new reserves, new missions, where a great big slab of a town or a remote area is solely dedicated to Aboriginal housing and becomes ghettoised in terms of Aboriginal people living in that area.

CHAIR: I'm happy to be disagreed with here—I'm not happy about it, but I'm used to it. Are you saying that the benefits of private ownership of land is something that has not necessarily been a part of Aboriginal communities and that's had a negative impact? Or am I stretching it?

Ms Sampson: No, you're not stretching it. I would probably not describe it as private ownership of land, because they are owned by Aboriginal community controlled organisations. If you want to look at the statistics in terms of social housing bonds, which NHFIC, as an entity, has been incredibly successful in issuing, not a single Aboriginal community housing provider to date has accessed NHFIC funds or NHFIC support to build or enter into a development. Given that there is such a ginormous asset base among Aboriginal controlled communities, it begs the question as to why. What are the institutional barriers? There are many of them, and we have identified them. How can we go past those institutional barriers? Apart from those institutional barriers, what is stopping them from coming down?

Ms OWENS: That was my question! Whenever I spend time with, in particular, remote Indigenous communities, I'm astonished by the answers about common good that is sitting there unused because we—not you—have stuck our Indigenous communities in a system that isn't designed for them, that doesn't let them do what they do and be who they are. If we did that, are the answers there? If Indigenous communities could actually build a completely different system around their values and centuries of tradition—is the answer there?

Ms Sampson: Yes. I have been able to work with all of our Aboriginal community housing providers. And there are many classes of Aboriginal community housing providers. Whether it is large projects that attract a common good for many, whether it is niche or boutique Aboriginal housing providers that specifically work around idiosyncratic communities that are formed as a result of a former mission or reserve operation or particular tribal nation associations, these answers are there. It's about whether they bear the same level of scrutiny or over-scrutiny in terms of risk by the instruments and the bodies that do exist, such as NHFIC. And that goes to every government instrumentality that we deal with as well.

Ms OWENS: Thank you for your understanding of our pathetic pronouns in English. I think we need to borrow a few more that are more complex and recognise our relationships. I struggle, in a community as diverse as Parramatta, to describe it sometimes. I'm sure you've got more. Give me a few! Thanks.

Ms KEARNEY: Thank you for your submission. It is extraordinary that you haven't been able to access that. Maybe you could take this question on notice. It would be really good to hear of some specific initiatives that would decrease those barriers to accessing these institutions that we have set up. We heard from one organisation at this hearing on Monday that for the NHFIC, for example, decreasing the threshold from \$200 million to access much smaller projects would be a very helpful change to the way the fund operates and how people could access it. Do you think that that would be helpful? And if you could think of other things we could change about it that could reduce the barriers that would be really good to hear. You don't have to say them all now. You can take that on notice if you like.

Ms Sampson: Thank you. I will take the opportunity to take it on notice. I'm aware that Mark has a wealth of knowledge and experience to be able to contribute here and I would love to be able to throw to him because of the analysis that he's been able to put to that. I will take that on notice and I will provide that to the committee.

Ms KEARNEY: Thanks, Lisa. Mark, did you want to add anything to that?

Mr Degotardi: Not particularly. NHFIC has a limited mandate and has been operating for a limited period of time. It's fair to say that my jurisdiction, New South Wales, has benefited substantially from NHFIC's work compared to other jurisdictions. I think partly it's a little bit about NHFIC finding its pathway and those who were

most ready to use it when it was set up. But that does raise the question about NHFIC's ongoing role, how much its investment mandate needs either to change or to be expanded to make sure it's encompassing a better diversity of housing providers.

Ms KEARNEY: Thank you. Chair, I don't have any other questions. It's been an excellent submission—very thorough.

CHAIR: Ged, you and I found something we agree on! Yes, it is an excellent submission. James, do you have any questions you'd like to ask?

Mr STEVENS: I will put one that I put earlier in the day about supply issues and community housing. We had submissions from a number of people that start by saying, 'We need more supply', but then there are all these clarifications that supply is an overly simplistic solution to the problem. Putting aside general supply issues, but specific to community and affordable and social housing sector, is supply the solution if we don't have the caveats of, 'The problem is that as soon as you increase supply you will have investors and a low interest rate market et cetera that can come in and gobble all that up and it doesn't contribute to alleviating the problem.' If you didn't have that complexity, or if you had a way of putting supply into the market that was restricted to certain categories of people, is that the main way in which we can increase stock and help provide more affordable housing to people?

Mr Degotardi: I think the discussion around supply gets unnecessarily confused, to be perfectly honest. If you stop supply to the housing market you will make things worse and if you improve the mechanisms for supply to the housing market you will make things better. But what you need to do is make sure you're putting the mechanisms in place to increase supply to all parts of the housing market. The private sector and others are really effective at providing housing for a range of Australians. What the market isn't all that effective at doing is providing social and affordable housing. That's why you need specific market interventions, planning policies and government support to ensure that that group of low and very low income Australians, who can't of their own participate in the private market, get assistance and are provided with a safe and affordable home. These notions of supply in the market generally and supply for social and affordable housing are not competing concepts, they're complementary ones. We should think about doing them both together.

CHAIR: Matt?

Mr THISTLETHWAITE: Thank you both for your submission. On page nine of your submission you discuss the New South Wales government's property tax proposal and the exemption that exists at the moment for community housing providers and Aboriginal community housing providers. Have you had any discussion with the New South Wales government about that? Have they indicated that that exemption will continue?

Mr Degotardi: It's been a pretty exciting time for the New South Wales government. Yes, of course we've put submissions in as part of that property proposal, and there does seem to be, at least at the moment, some different views. Like all jurisdictions, we're dealing with exiting from the pandemic and everything else. So, yes, we're looking forward to engaging with government around that. We understand that there's no intention the community house providers would be disadvantaged by any change proposed. We just want to make sure that that's protected and that is the case in the final consideration.

Mr THISTLETHWAITE: Your submission also suggests that public housing should be basically transferred to your sector, to the community housing providers and Aboriginal community housing providers. Do you want to elaborate on that? Why is that submission made? I'm assuming it's not just a turf war but there are some other rules behind that.

Mr Degotardi: I'll speak about the community housing world, and, Lisa, you may wish to comment about the ACHPs. I'm not sure our submission says that all public housing should be transferred to our sector, but certainly transfers in terms of title transfer and transfers in terms of management have both been really effective in building the capacity and capability and scale of the sector.

When you talk about community housing providers, what they can do is—first of all, government entities, which in our case is the Land and Housing Corporation, build only social housing. We build social and affordable housing, so we have a broader remit. We can borrow money, as we do through NHFIC and other market participants on a commercial basis, to leverage investment in housing to build more social and affordable housing. We have more levers to pull, and in a constrained market it just makes perfect sense, to me at least, that you should pull every possible lever you have at your disposal. We can take a \$100 million investment, for example, and leverage that into a \$250 million or \$300 million development through our ability to borrow and through a range of other policies and incentives that are available to us. We're not advocating that all social housing should sit with the community housing sector, but I'm saying to you really clearly that it's a fantastic way of delivering

great outcomes and that we would certainly welcome more investment so that we can leverage to the full extent and do more.

Mr THISTLETHWAITE: Do you want to add to that, Lisa?

Ms Sampson: Yes, thank you. I thoroughly agree with what Mark has said. And, yes, we did put in our submission that at least 50 per cent of public housing and state owned and managed housing should be transferred across to the CHP and ACHP sector—it wasn't 100 per cent—because we do believe in spreading the risk, and I think that's a very good principle to instil across the sectors. But of course Mark talked about those levers, and, if we're able to look at title transfers, if we're able to look at long-term management contracts—and bear in mind that the Aboriginal community housing sector in New South Wales has very few long-term management contracts in place. Aboriginal community housing providers are on three-year management contracts. Many mainstream CHPs are on 20-year contracts. Many of them have had property and title transfers over to them. Once you get that level of income security in terms of cash flow behind you, you can then go and leverage off that level of security by utilising the assets you have or getting concessional assets to be able to build and strengthen your pipeline of social and affordable housing. And of course the Aboriginal community housing provider sector is blessed with having a great deal of land assets that can be leveraged without concessional government investment or land provided to it in order to start off that, or be able to buttress that, funding or finance mix, whether it's NHFIC or other institutional investors in the market. So we could say that in being able to transfer a significant amount of existing social housing to the Aboriginal community housing provider sector, you will then get the benefits of more investment in social and affordable housing in the years to come.

Mr THISTLETHWAITE: I imagine that a benefit of that would also be—

CHAIR: Sorry, Matt, we probably don't have time for questions. Did you want to ask a really quick one?

Mr THISTLETHWAITE: Yes, on the issue of maintenance. Do you handle the maintenance as well? If you got longer term contracts, I guess it would allow you to leverage off that and make sure that maintenance was done as well. Any MP will tell you one of the big things we get is complaints from residents about mould, broken doors, windows and all this sort of stuff. I imagine you as a contractor—

Mr Degotardi: Absolutely. In terms of the management contracts we take on board, we take on repairs and maintenance responsibility. Some of the problems obviously—this is not just in New South Wales, but that's what I will speak to—are because the stock is very old, and that brings with it particular maintenance issues that we need to address. In addition to that, in some of the social housing management transfers we have received, the state of the housing properties has been less than we would have expected, so it's taking us more time to get those properties up to standard. It's pretty clear that, whether you live in social, affordable or other market rental housing, you can have a clear expectation that your home is reasonably well maintained. That's an ongoing problem. As the stock gets older, the repair and maintenance costs get higher. That's probably something that's not terribly well addressed in any jurisdiction in Australia.

CHAIR: Thank you, ladies and gentlemen—sorry, lady and gentleman; I don't mean to suggest there were more people here than there actually are! Thank you for your participation today. If you've been asked to provide any additional information, could you please forward it to the secretariat by 24 November. You will be sent a copy of the transcript of your evidence and you will have an opportunity to request corrections to transcription errors. Thank you. That was very informative.

Proceedings suspended from 10:47 to 11:01

LANGFORD, Mr Scott, Group Chief Executive Officer, St George Community Housing [by video link]

SLOAN, Ms Nicky, Chief Executive Officer, Community Industry Group [by video link]

CHAIR: Welcome. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important for you to know that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside of Australia. I now invite you to give an opening statement before we proceed to discussion.

Mr Langford: Thank you for the invitation to appear today. As the group CEO of one of Australia's largest community housing providers, I hope I can talk about issues that impact thousands of Australians for whom housing unaffordability is a barrier to both social and economic participation.

First, I'd like to share a very brief story. My grandparents migrated from Yorkshire to Australia with their young family in the early 1950s, and my grandfather found work in a clothing factory in the north of Adelaide. For a time they lived in public housing that was owned by the South Australian Housing Trust. They paid an affordable rent, which meant that they could sustain a modest standard of living and have money left over to save. It meant they were subsequently able to buy a home, which gave them financial security and a connection to community. My grandfather's housing journey was like that of so many others of that time. Public housing was both a safety net for those struggling and in need of shelter and a springboard for those who could work towards the great Australian dream. This isn't a look back in history through rose-coloured glasses. Rather, I use this story to illustrate a contrast, as almost to a certainty it is one that would be a rare exception today rather than the norm.

Public housing has become social housing. It has become rationed as it has shrunk as a proportion of the total housing market, and it has become more focused on those most in need. It's a necessary focus, but nonetheless it's one that leaves a gap. The absence of other affordable rental options for many lower-income households means that rent is consuming an ever-increasing proportion of their income. Indeed, SGS Economics & Planning, in their *Rental Affordability Index* published in December last year, indicated that some 43 per cent of low-income households were in housing stress. When you combine that with a booming residential market, a lack of affordable rental housing has really pushed the dream of homeownership beyond the reach of many, and that's evidenced by falling rates of homeownership.

The great paradox of housing policy is how to make it affordable for those who seek the safety and security of a home they can afford while recognising the role of housing as a principal means of wealth creation and economic security for many Australians. I think this paradox is further challenged by the split of policy responsibilities across local, state and federal governments which perhaps leaves it open to the observation that the collective noun for housing policies in Australia is a 'confusion'—a confusion that perhaps this committee, Chair, will address.

Given the focus of this inquiry, I would note my agreement that supply is a key part of both the challenge and the solution, but I would also suggest that where and how that supply is targeted makes a real difference, particularly for lower income households. I believe we all share an interest in avoiding a system that compounds disadvantage or traps households in high-cost rental and that constrains their ability to save and move along in their own housing journeys, perhaps towards homeownership.

I note that the recently released statutory review of the National Housing Finance and Investment Corporation Act by Chris Leptos estimated that there's an investment required of some \$290 billion over the next two decades to meet the shortfall in social and affordable housing dwellings. Rents that are affordable for lower income households are in many cases subeconomic—that is, the rent that they can afford would be less than what the market can provide if the market is seeking a reasonable return. There's no evidence that I'm aware of from Australia or overseas that simply adding general supply would reduce rents sufficiently to meet the need for affordable housing without further intervention.

So, if we assume a rational private sector and we assume it won't subsidise housing by accepting subeconomic returns and we note that the total scale of capital is required is beyond that which government may invest directly in a submarket affordable housing space, there's a gap, and it's in this submarket subeconomic base that my organisation works. We seek to bring together capital and capability, together with contributions from different levels of government, to bridge the gap and increase that targeted supply. We want to see more keys in more doors to affordable homes that can serve as a safety net for those doing it tough and as a springboard for those who can benefit from a hand up. I look forward to participating in answering your questions today. Thank you.

CHAIR: Thank you very much, Scott. Nicky, would you like to give an opening statement?

Ms Sloan: Yes, if I may. I acknowledge that I meet with you today from the unceded lands of the Dharawal people, and I pay my respects to their elders, past and present, and those of the future.

I would like to point out that access to housing is at crisis point across much of southern New South Wales. We've been impacted by bushfire, by floods and now by a massive migration of people from the city during the COVID pandemic. The prices for housing for purchase have increased, up by about 37 per cent, in the last 12 months in this region, and rental prices have also increased. In the Snowy-Monaro, for example, rental prices have increased 28 per cent in the last year, in the Eurobodalla [inaudible] so that, on the South Coast, the rental price for a house is \$583 and in Sydney it's \$550. So we're outstripping Sydney, and it's really impactful.

Obviously, I don't want to reiterate what I've already put in our submission—and I'll be happy to take questions on that. I would like to tell you a story about the impact of this housing crisis on people who are vulnerable. The story was told to me recently by one of our members, about a client—and, for the purposes of this setting, I'll call her Maria. Earlier this year Maria, with her children, escaped a violent partner. She had nowhere to go. [inaudible] her children became homeless. They moved into a tent in a public camping ground. It's very common for people to live in public camping grounds on the South Coast. There were many other homeless people living in that campground, and, unfortunately, the children were exposed to some very inappropriate behaviour. [inaudible] stolen, and Maria could no longer stay there, for her safety and that of her children. She then moved to a community to be closer to her family, and, sadly, she'd only been living there for a very short time when she was violently and absolutely horrifically assaulted. At this point, the Department of Communities and Justice stepped in and found a place for her in a single motel room. A single motel room is no place for a family of five, particularly because the children all have severe trauma, and they all also have high needs.

The crowded living situation has resulted in the children being triggered, and really difficult for Maria to manage. Maria is also dealing with trauma. It has negatively impacted all areas of their family [inaudible] attending school regularly—they have no personal space, they have no ability [inaudible]. The owners of the motel have offered Maria the opportunity to work as [inaudible]. She now spends [inaudible] hours a day cleaning, but that leaves the children unattended and unsupervised. The owners of the motel don't pay Maria. They have said that they're going to save her wages for her so she can have a holiday, and we're all very hopeful that that is actually the case. And this family is still on the priority waiting list for social housing.

CHAIR: Thank you. We will move to questions. Scott, you said that you are unaware of any studies that show that supply leads to improving affordability for people on lower incomes. Are you aware of the work of Ed Glaeser from Harvard University?

Mr Langford: No, I'm not.

CHAIR: Are you aware of the work by Joseph Gyourko from the Wharton School?

Mr Langford: No, I'm also not aware of that

CHAIR: A recent study was undertaken by Cristina Bratu, Oskari Harjunen and Tuukka Saarimaa in 2021, so it's just been published this year: 'City-wide effects of new housing supply: evidence from moving chains', which is Working Paper No. 146 from the VATT Institute for Economic Research. The abstract reads:

We study the city-wide effects of new, centrally-located market-rate housing supply using geo-coded total population register data from the Helsinki Metropolitan Area. The supply of new market rate units triggers moving chains that quickly reach middle- and low-income neighborhoods and individuals. Thus, new market-rate construction loosens the housing market in middle- and low-income areas even in the short run. Market-rate supply is likely to improve affordability outside the sub-markets where new construction occurs and to benefit low-income people.

Do you think this is something that we haven't tried in Australia and therefore haven't observed?

Mr Langford: It's very interesting, Chair. I will look forward to reading that study. I think there is an ongoing challenge around housing supply in Australia, and that is matching supply to the demand profile in general. There are, clearly, some barriers in the timeliness of delivery. We haven't observed, where there have been peaks in periods of supply, a measurable impact on particularly lower-income households and affordability for them. But I would certainly accept that adding to overall market supply could be an important part of the overall response. As my colleague speaking previously illustrated through a story, there are people on the priority housing waitlist in situations where I'd suggest there is a need for some specific, submarket interventions. But I think it's an 'and', not an 'or'.

CHAIR: Yes, I was quite taken by the example that you were highlighting for us here. I think Paul Keating used to call it 'the holy trinity of economics', being the Reserve Bank, Treasury and the department of social security—we didn't quite start this hearing off with all of them before us, but at our first public hearing we heard three examples of people who have been directly impacted and who are living the result of the lack of availability

of housing. Some of them were earning good income; others had trauma going back many decades. By the way, if the motel is offering that form of payment, that is absolutely unlawful under Australian law. That's something that should be reported to the Fair Work Ombudsman. Do you think that example demonstrates the urgent need for us to reform our planning system so that we can get more housing, in all areas of Australia, into the market as quickly as possible, because it is having the sort of impact that you highlighted not only on that one person in particular but also generally across the board?

Ms Sloan: I definitely think that supply is an issue and that any levers that we can pull that will increase supply will be impactful. I think it will also be a matter of the type of supply and the type of take-up of it. What we have seen and what's been very impactful across the southern region—and it's something that we saw really highlighted after the bushfires—is the amount of property in our region which is available only through the short-term rental market, through the Airbnbs and the sharing economy. [inaudible] and people were rendered homeless. We saw an enormous uptake in people offering to share their holiday homes and their short-term rental accommodation and rent them out to people with their insurance from the bushfires. Unfortunately, as soon as that year of bushfire income rental had gone, those properties went back into short-term accommodation.

I think one of the levers might be increasing supply, but we also should be looking at levers like, perhaps, negative gearing. Can we use that as a lever to incentivise affordable housing? Just recently in our area, a person from Sydney bought a property for \$6.3 million. It's his holiday home. He also rents it out through Airbnb and, therefore, negative gears it. He bought it for \$6.3 million, and it's only going to benefit some people to have some lovely holidays in a beautiful country area. That's great but—

CHAIR: This gets to my point. You've hit the nail on the head. Instead of worrying about someone who's buying a house for \$6 million, why don't we just build more houses for people who want to buy houses for \$100,000?

Ms Sloan: Absolutely—

CHAIR: Why do we keep focusing on these one-off people who negatively gear and do all that sort of stuff? I understand the argument, but our problem isn't one house. Our problem, according to evidence that we got earlier this morning from Nicholas Proud, is that we are short one million affordable houses.

Ms Sloan: Absolutely. And so—

CHAIR: That would cost a trillion dollars to build.

Ms Sloan: Down the road, in Nowra, you can build a house for around \$650,000. If we incentivise people to do that—

CHAIR: Sorry, why is it costing \$650,000?

Ms Sloan: To build a house in Nowra? A house-and-land package is about \$650,000.

CHAIR: What are the components of that price?

Ms Sloan: I guess the land—

CHAIR: Because some of the evidence that we had from other people is that 50 per cent of the price of greenfield house-and-land packages in New South Wales is due to state and local government taxes. We could reduce that by \$325,000 like that, couldn't we?

Ms Sloan: I agree with you that we have to look at a whole-of-government approach [inaudible] address this, and I think that's why it's so important that this inquiry is happening. We have to bring all levels of government together and look at all of [inaudible] from government.

CHAIR: Thank you. I have used up more time than I should have.

Ms OWENS: Thank you for your submission. This really is a wicked problem, and we've got into it over many, many years. If you rezone land in the city to allow stronger infill, it raises the price of every block of land because the development price goes into everything. If you add subsidies for first home buyers, the price goes up and that middle gap grows. If we suddenly started building the number of houses we need, that would cause labour shortages, delays in planning and supply chain shortages, which would push prices up. So it seems that we've got to a position now where it is extremely difficult to unpick it and do things that make a difference without a negative consequence elsewhere. I'm just wondering whether you can think of things, while unpicking all of that, that you'd do right now which would increase people's capacity to get into affordable accommodation, without necessarily having the negative consequences in other parts of the market.

Ms Sloan: Is that question to me?

Ms OWENS: To both of you, actually.

Mr Langford: After you, Nicky.

Ms Sloan: Thank you, Scott. To answer that question, I think we would solve all the problems right at this very moment. As I said, I do believe that this needs to be a whole-of-government approach and that we need to look at the levers at all levels of government. I think there are some of the issues that we're seeing that we should really explore. We're seeing, for example, that capital gains growth now is actually more than somebody's salary, so people are just choosing to leave houses empty because they're getting enough with capital gains growth. I think what we could be doing right at this moment is looking at the fact that we have properties sitting vacant. How do we incentivise people to rent them out, and how do we incentivise people to do that at an affordable level? I agree that it's perfectly okay for somebody to own a house for \$6.3 million, but he could have built 10 houses and rented them out and still got a negative gearing benefit from that. So I think we should be looking at incentivising people while we're looking at the whole impacts, because we know that lack of housing has impacts on things like the health system and the justice system as well as the housing industry and people's capacity to own a home.

Ms OWENS: Over to you, Scott.

Mr Langford: It is the multibillion-dollar question. I think it is a challenge, because I don't think there is a single answer. I think housing markets are inherently complex and demand- and supply-side interventions are needed. For the very low income households that we serve, I would say that it does need to be direct supply. I think supply is an important contributor to that.

I can give you an example. Just this week, we announced the acquisition—with the support of a Melbourne infrastructure investor, Lighthouse Infrastructure, who have invested \$59 million—of some key-worker housing in Westmead. It's in a precinct where there will be 30,000 jobs, and it will allow us to offer some key-worker housing, which is helping people to live in the precinct, to stay connected to employment and to work. The way we've made that work is that we've brought together that capital with our benefits as a charitable not-for-profit community housing provider, which means we get some existing concessions from state, local and Commonwealth governments that make that work. But it's a shallow subsidy, if I can put it that way, and it won't serve very low-income households. There are additional things that are needed. Again, I'd say that the Leptos review, released just a couple of weeks ago, identified that there is a gap that needs to be filled by subsidy for the very lowest-income households because the best construction efficiencies, the best land releases and the best operating efficiencies are unlikely to make housing, particularly in a city like Sydney, affordable to the very lowest-income households.

Ms OWENS: You guys are one of the big ones—

CHAIR: Julie—

Ms OWENS: Okay; thanks, Chair.

CHAIR: Gladys, do you have any questions?

Ms LIU: Yes, thank you, Chair. Thank you, Nicky and Scott. Nicky, I was especially listening to your story about that mother with five children. I really feel for her and I know there are a lot of people out there in that situation. I can tell you about my situation. My mum and dad and my brother and sister went from China to Hong Kong in the early sixties, and they were living in a small apartment that was smaller than 10 square metres—yes, three by four, but smaller than my bedroom—and it housed four, and when the other sister and I were born, we were still staying there. So I lived in such a small room for some years before we were able to move to a bigger place. At the time, we were forever grateful to have that accommodation provided by the government at a very cheap rent. I'm just thinking—if we want to help those people out there who really need it, should we try our best to provide something so they can have a roof over their head, or do we really have to demand, 'We need these two bedrooms' or three and this and that? When I went to see some housing commission places, I thought, 'Wow, if I could have that in Hong Kong!—you have to be a millionaire to have one of those, even sometimes renting. What do both of you think? Should we aim to provide to those who need it, or should we have the standard that we must be at that certain level?

Ms Sloan: I think, once again, we get back to whole of government, because certainly the Department of Communities and Justice, who are obviously engaged with this family, do have minimum requirements for the number of bedrooms that a family could have to move into a property. So they do designate how many people can be in a single room and what gender. So, while they're in this motel room, it is classified as temporary accommodation, and that's why they're able to all be in that space at that time.

In terms of whether any roof is better than no roof over your head, I think it is really dependent on the situation. For some people—absolutely; people can cope very well. That is why I think we need to have a real

variety of housing available in the housing system, and some of that may be more of a first-generation, new generation, boarding house situation, where people do have a room and an ensuite, perhaps, but shared facilities. But the key for a family like Maria's is the level of trauma that family has already gone through, and there are many, many, many other families in this kind of situation. So it's not just about the roof that's over their head but about the services that are wrapped around the family.

Ms LIU: Sorry to cut you off, Nicky, but certainly I do understand. But, instead of having a bigger apartment, bigger rooms and meeting that sort of standard, I'm talking about helping everyone out there who really needs somewhere to stay. Why don't we just build something quite basic, and everyone who needs it can have it to solve their homelessness problem? Then we can talk about upgrading to better facilities to be more of a permanent living condition for them?

Mr Langford: If I may, I think that's an incredibly important idea. In New South Wales the type of housing we can develop is governed by the planning regime and the department design guidelines, which have minimum requirements that dictate things like size and layout. When SGCH have been developing housing, we've looked at a different specification. For example, two-bedroom apartments in Sydney for sale would typically be two bedrooms, two bathrooms and a car park. We would typically develop two bedrooms with one bathroom and a minimum amount of car parking. These are things that are designed to take some of the capital cost out but also to spread the number of impacts and outcomes that we can achieve.

We've recently done a project in Chippendale in a partnership with Uniting which is a new age boarding house—that is, small, self-contained units of approximately 20 square metres, probably luxurious in comparison to the example you gave. They are targeted for young people who've been in state care. Twenty per cent of people in that cohort by the age of 25 will be homeless or in prison. This is a particular location with a support model and a youth foyer that works to help people develop independent living skills. While it's a very modest and small unit, to your point, it provides an affordable place to live and a really important connection to education, training and employment in that area that is going to support them to hopefully go on and have a very different housing journey and life journey to many of the people in their cohort.

Ms LIU: Thank you. I think I have used up my time.

Mr THISTLETHWAITE: In your submission you mentioned the NHFIC bond aggregator cap. You submit that it should be lifted. Have you got a suggestion of how much it should be lifted by?

Mr Langford: I'd refer to what the Leptos review suggested a couple of weeks ago, which is that it would be helpful to have a structured and scheduled mechanism by which to review the cap to give greater certainty in the market, but it should be increased. Given the demand present at the moment, it would be appropriate for there to be an increase in that cap of at least \$1 billion, but, again, I think some of the structural elements can be improved to give greater certainty to NHFIC, to market participants and to investors about the time line and mechanism for that.

Mr THISTLETHWAITE: The housing stock that you manage, the newer element of it, has any of that been built through the NHFIC loan process?

Mr Langford: Absolutely. We own about a third of the properties we manage. Through a couple of different financing tranches with NHFIC, they supported a range of new construction. The latest building to complete that was supported by NHFIC finance was a 162-unit project in the heart of Redfern, which was completed in June, just prior to the New South Wales lockdown. I'm really pleased to say that despite the challenges of lockdown that's nearly at full occupancy, and some 45 per cent of households in that building are Aboriginal households who've been able to find an affordable place to call home in a community that's very important to them.

Mr THISTLETHWAITE: Are you requested by government to build a project like that, or do you do that off your own bat and then offer it to the government as a place for people to be housed?

Mr Langford: Thanks for the question. We look to originate projects that we think are well located, are going to suit lower-income households and are connected to transport and employment. We often do that in response to government programs. In the case of Redfern, for example, that was a City of Sydney depot site that the city offered to community housing providers for the purpose of building affordable housing. We were able to bring that together with contributions from the state government, and we worked with the federal government, through NHFIC, to put together the financing. We were then able to take it through a design excellence process, achieve a DA and work with Lendlease Building, who constructed it for us, so it's a really high-quality building. We've been able to bring together different capabilities, and the capital, to make it happen.

Mr THISTLETHWAITE: Did the City of Sydney put that out to tender? How were you chosen to do that?

Mr Langford: The City of Sydney, when they've identified suitable opportunities, from time to time they've run tender processes for community housing. They've then identified providers with capability and capacity and worked with those providers on specific opportunities. We're currently pursuing another opportunity in Green Square; we've also had some contribution from the City of Sydney to a project we talked about earlier, in Chippendale—the Youth Foyer—which also had involvement from the state. In a way, I would suggest that community housing is a means to blend a range of the different levers that can be exercised, to get the best possible outcomes.

Mr THISTLETHWAITE: Thanks.

CHAIR: James, do you have any questions?

Mr STEVENS: Yes. Thanks, Jason. I've just got a question on homeownership and pathways to homeownership. Do you think we should be expanding opportunities for people to own their own home and creating better pathways from rental into ownership?

Mr Langford: Sorry. I had a plane flying overhead just as you asked that.

Mr STEVENS: Effectively, Scott, it's just about expanding opportunities to homeownership and pathways to ownership from rental properties.

Mr Langford: I think that's incredibly important. Homeownership is so central to our way of being in Australia and a sense of investment in the social and economic fabric of the community. Ensuring there are pathways that mean that it can be a continued aspiration is important, and, in some ways, that's what I was trying to illustrate with my earlier story about my grandfather's own housing experience. Affordable rental is often a gateway that that allows people to build some economic capacity to move into ownership. When added to other initiatives that support homeownership, it's a really important way that we can move people through the housing continuum, and it may also relieve some of the pressure on social and affordable housing.

Ms Sloan: If I may add to that, we also completely agree that we should be looking at ways to encourage people into homeownership. I think we have to be very careful that the mechanisms we put in place don't drive up the cost of housing and make it more unaffordable. We've seen some really great initiatives and subsidies that have been designed to increase a person's ability either to pay rent or to purchase a home, but some of them, like the First Home Owner Grant and the First Home Loan Deposit Scheme, the impact has been—and I know it was unforeseen—is that they've driven the cost of [inaudible], and things at the state government level, like the New South Wales stamp duty exemption, all aimed to get people into homeownership [inaudible] to enable the cost of housing for people on very low incomes [inaudible]. I talk about people [inaudible], housing affordability and access to housing for their clients.

The second is employment. We cannot get people to work in areas like aged care and disability, because they simply cannot afford to live where they are. The flow-on impact of that is really significant, particularly as we go further down the South Coast. We're seeing aged-care facilities having to close wings, which is reducing access to care for older people, we're seeing providers not taking up home-care packages because they can't staff them and we're seeing incredibly thin markets in the disability sector because there are no workers in those areas. So we have to be careful about some of those initiatives to make sure they don't drive up the overall cost of housing.

Mr STEVENS: Thank you.

CHAIR: Ged, we're up to you.

Ms KEARNEY: Thanks, Jason. That last point is quite interesting. We've been talking a lot about supply and the effect of zoning regulations, taxes and local government costs and things, which are incredibly interesting. One of the warnings we had from some of the LGAs about reducing planning requirements and things is that, yes, you may increase supply and make it easier for developers to develop, but, as you say, they can develop in areas without infrastructure. We were warned that if you go ahead and do that too quickly, without the necessary infrastructure—which is the bulk of the cost when LGAs are making these places available—you create social problems, which might cost more down the track. As you say, people live further away from the possibility of employment. If there's no public transport infrastructure, if there's a lack of access to health care and social services—and often these are low-income areas—you create social problems. For example, in the far-outer suburbs of Sydney we've seen domestic violence rates and lots of social issues when there are no schools nearby et cetera. What's your feeling about that? Do you think that's true? I heard you mention that the further you move from employment the less likely you are to get a job. What do you think about that? Is it just supply for supply's sake, or is it not that simple?

Ms Sloan: No, it absolutely is not that simple. We are always advocating that wherever we have affordable housing it has to have access to services. Certainly when we look at areas in the Illawarra, the areas that are most

affordable have the least access to public transport or any kinds of services, and they are usually where young families end up. In areas like Albion Park, for example, where affordable, purchasable properties for families were built, we are now seeing social issues arising as people are growing up. Certainly access to employment is one of the big issues where there is no public transport. We see people, particularly young people, unable to take up employment opportunities.

Right across the South Coast, we're in an incredibly interesting position in that we have very high unemployment but we also have a high number of job vacancies that we can't fill. We need to have [inaudible] what is impacting on it and causing it, but we do know that access to housing that is located close to employment opportunities [inaudible] an area [inaudible]. It will take somebody [inaudible] and area to get [inaudible], and that's only when the jobs are available. We do need to look at all of the approaches and definitely make sure that we are servicing the areas where people are buying affordable properties.

Ms KEARNEY: Thank you.

CHAIR: Thank you, Nicky and Scott. Thank you for your participation today. If you've been asked to provide any additional information, please forward it to the secretariat by Wednesday 24 November 2021. You will be sent a transcript of your evidence and will have an opportunity to request corrections to transcription errors.

BYRNE, Mr John Douglas, Owner-Operator, Apple Lodge [by video link]

[11:53]

CHAIR: Welcome. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter, and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that although your evidence is protected by parliamentary privilege this protection cannot be enforced outside of Australia. I now invite you to make an opening statement before we proceed to discussion.

Mr Byrne: Thank you to the committee for hearing from me today. I've been a property lawyer in Queensland for nigh on 40 years. I've also been a lodge house owner, operator and manager for 12 years. Our lodging house accommodates people down on their luck and could be described as social housing.

Your committee is looking into the impediments that are detrimental to housing affordability and supply in Australia. In my experience as a property lawyer, I've acted for many unit developers who have built multi-unit developments for sale to homeowners and investors. There are two types of land title you can have in Queensland at least; either you buy the house and land or you buy a unit in a body corporate arrangement. Units have to have a minimum of one bedroom, with all the facilities—kitchen, bathroom, toilet, car park et cetera—and usually there are two or three bedrooms. This means you have to sell these units for a high price in order to cover the cost of construction. They sell for high prices and rent for high prices. These prices exclude the lowest socio-economic component from affording accommodation and don't give a great return for investors because of the cost of compliance and management.

Lodging houses, on the other hand, consist of a large number of bedrooms—perhaps eight or more—with just one kitchen, bathroom, toilet and lounge room. This makes them cheaper and affordable for those who have fewer funds to pay for accommodation. It also makes them cheaper to build, and the rental per bedroom is much more favourable to investors. The problem is that there is no land title system that allows investors to own part of a lodging house. In a unit complex, you can own one unit and you have one title for that. In a lodging house, you can't own part of a lodging house—so an investor has to buy the entire lodging house or build the entire lodging house development.

The crux of my submission is that there needs to be a land title system whereby an investor can buy part of a lodging house, such as just two or three bedrooms on one title, with the common areas remaining in some sort of standard body corporate. If you could buy two or three bedrooms on one title, the outlay would not be great but the rental return would be very attractive. Given that a lodging house would have fewer bathrooms, toilets and car parks than an equivalent unit complex, a lodging house would be much cheaper for the developer to build and therefore more attractive. It would not be difficult to have such a land title system, as the existing unit complex title system is quite similar, except that the title would be over a couple of bedrooms rather than over an entire townhouse or unit.

What you would end up with is a social housing building product that is attractive and profitable for developers to build, and attractive and profitable for investors to buy into, which means there will be a lot more of them and a lot more low-price social housing—or even a slightly higher standard than social housing. It would impact greatly on housing affordability and supply such that it would solve part of the issues this committee is looking at. That's my submission—an amendment to the existing title system, not much different to the current titles, that encourages developers to build, and investors to buy into, budget social housing.

CHAIR: Thank you. Over your time, have you seen rising costs? I don't want you to just pick on councils; feel free to pick on the federal government—everyone else does, so you won't be alone! In terms of what you're doing, have you seen a cost blowout in terms of compliance for local, state and federal government? Do you want to spend a bit of time telling us a bit about that?

Mr Byrne: You can get an approval from councils to build a lodging house. What you can't get is the separate titles. In terms of compliance, yes, there has been a great increase in the cost of compliance. For example, smoke alarms: on 1 January next year, there's going to be stricter standards of smoke alarms come into Queensland such that every rental property needs to upgrade its smoke alarms. I'm not picking on the federal government. Let's pick on banks because they're just as easy a target! For unit developments, for example, if you want to build a six pack of units or larger, you have to be able to have pre-sold almost all of them before a bank will give you finance. That's certainly scaring off developers because they think, 'It's going to take me so long to pre-sell these things, and what if I can't?'

CHAIR: That's not really a bank thing; that's an APRA thing.

Mr Byrne: Okay.

CHAIR: That is the federal government—so, thanks, you did get to blame us!

Mr Byrne: In Townsville at the moment, and in lots of Queensland locations, housing prices are on the rise in a way that they haven't been for eight or 10 years. But developers have been so reluctant to build in the last few years that there's less product available. Certainly, the cost of compliance of smoke alarms—and they're a good thing—and other compliance like that is just too much.

CHAIR: Thank you.

Mr THISTLETHWAITE: That issue around the upfront costs associated with developments like this, particularly the infrastructure costs—do you think that's something that the government should be taking more responsibility for, rather than developers, in terms of the funding?

Mr Byrne: The developers are in there for entrepreneurial reasons and to make a profit. They need to adjust their product and their pricing so that they can make a profit. I don't think the government should be required to help developers make a profit, because that's to the disadvantage of everybody who's not in that development. But certainly Queensland and New South Wales are very highly regulated compared to other states and other countries. There could be a way to make it easier in terms of staging—perhaps phasing in some requirements and regulations. I did hear a figure a while back. It's not reliable, but a quantity surveyor looked at a \$400,000 house and found \$140,000 of it to be compliance.

Mr THISTLETHWAITE: You have suggested these two different investment and title models for lodging housing: a company model and body corporate model. What are the regulatory changes that would be needed to make those a reality for you?

Mr Byrne: I don't believe there are any regulatory changes at a federal level. It would only be at the state level. It would be an amendment of the Land Title Act in Queensland to provide that the body corporate unit arrangement need not have all the survey requirements that it does now, in terms of each unit being independent in its facilities. The difference of the lodging house is that there are people who are not related in any way sharing the same facilities. To answer your question, it would be an amendment—not a major one—of the Land Title Act and each relevant act in each state.

Mr THISTLETHWAITE: Thanks.

CHAIR: Thank you. Gladys?

Ms LIU: No questions from me, thank you, Chair.

CHAIR: James, do you have any questions?

Mr STEVENS: I was going to ask a question about what Matt put, but I suppose I'll use my question to ask for a little bit of an expansion on that and also the principle within that scheme of how you could promote people from renting to buying, so effectively getting into the accommodation as a tenant but having schemes that allow people to progress and build equity and get to the point where they can actually own what they've started out having to rent because they weren't initially in a position to be able to afford to buy. Do you have a comment on whether this model would work well for that principle?

Mr Byrne: As an owner-occupier they would have to be prepared to continue to live with people who aren't their family members or close relationship, because the other rooms in the lodge are going to change occupants from time to time. Unless there were, say, a whole floor of units and they were going in with a bunch of [inaudible] and buying. You don't have control over who ends up living in the other bedrooms and sharing your kitchen and bathroom facilities. It's an investment model but it's not such a great buyer model. There is another option where, say, an entire floor could be purchased by, for example, a charity, someone like the Red Cross or someone. They purchase a whole floor and then have their own clients in there paying rent. That would make a profit for those charities.

CHAIR: John, how many people have you managed to house using this scheme?

Mr Byrne: Our lodging house has 14 rooms in it so we can accommodate up to 14 people at a time. These people come from referrals from the Red Cross, from the prison, from the hospital, from out of the parks. They are the people who would not get a rental property through any sort of real estate agent. Over the 12 years that we've had this property—we're 12 years into a five-year plan—there would be literally hundreds of people who have gone through the place and got back on their feet and gone on to other things. It's very satisfying in that respect. It's a form of accommodation that's available to people who wouldn't [inaudible] It's kind of the same of accommodation as a backpackers' place. The regulations that apply to us are exactly the same as those that apply to a high-end tourist backpacker place. It's just that that's not the market that we're in. It's determined by the standard of the property as well.

CHAIR: How long have you been doing this for?

Mr Byrne: Twelve years.

CHAIR: What made you get into it?

Mr Byrne: My wife was in the soroptimist club, which is a women's charity club, and they used to go out to the women's prison and visit once a month out there. They found that the most common conversation amongst people about to be discharged was: 'Where is a good tree to live under?' The club tried to find a way to buy into a lodging house but they couldn't do it themselves. This one came up. We bought it ourselves. We own and operate it ourselves. It covers its costs but it doesn't make much in the way of profit or wages, and that's okay—that's our choice. It is on a nice block of land and one day it might turn in terms of property value. That is why we got into it.

CHAIR: Do you know many other people like yourselves who've done something similar?

Mr Byrne: There are a number of lodging houses around that are more commercial than ours. Ours is an old Queenslander with 14 rooms in it. There are other places that are five or six storeys with 10 to 15 rooms per floor. That's an out-and-out profit-making business that caters to this end of the market. But I know the people that run those, and they don't run them for philanthropic reasons.

CHAIR: Have you ever had to—how do I say this nicely?—manage people out of your lodge?

Mr Byrne: Yes, and, ironically, getting paid rent is the easiest thing because it's often done through Centrepay automatic deductions. However, there are a couple of rules in relation to privacy and other things like drugs and violence, and, if any of that goes wrong, the legislation that relates to our style of accommodation is quite liberal in terms of the ability to remove people in order to protect everybody else. We've frequently had to remove somebody or, more likely, they just abandon the place. I guess it's because of the way we look after people that I've actually been kissed and hugged by people I'm evicting, because they know they've had a good chance and they know they let themselves down.

CHAIR: Do you think that has also built a reputation amongst people so that, when they're leaving prison, they see your lodge as a place where they get their best chance, but they'd also know that, if they don't adhere to socially accepted norms, they'll find themselves without that opportunity? Does that help?

Mr Byrne: People don't come to us by themselves. Almost all of our lodgers come to us through agencies like Anglicare, Red Cross, St Vincent de Paul, department of corrections or the hospital. It's my belief, although the people would never admit it, that the agencies prefer to give us their better quality people who are likely to behave because they know that that's how they're going to be treated and they know that that's going to have the best impact on everybody else who's already there. People who are more likely to misbehave end up in other establishments.

CHAIR: Why are organisations like the Salvation Army or the Uniting not providing facilities like this? The Uniting Church has plenty of money and receives massive taxpayer subsidies.

Mr Byrne: St Vincent de Paul runs at least one other establishment like that here in Townsville. Their rules are a bit different. The lodgers aren't allowed to stay there during the day. They've got to go off and come back again that afternoon. Why don't others do it? There are plenty of places around that you can convert into something like this. It's not—

CHAIR: Why does St Vincent de Paul have that rule that you have to leave?

Mr Byrne: I'm not sure why that is. I think it's because that has always been the nature of their model. Initially they were just providing a meal at night and a bed to sleep in, not actually accommodation per se. Perhaps they like to get people out of there so they can go and better themselves—get a job or whatever.

CHAIR: Do you think there's a need to expand the type of facility that you're offering? If you could double the size of your lodge from 14 to 28, would that get used? Would that be beneficial?

Mr Byrne: At the moment, say, for the last 12 months or maybe 18 months, we've been quite full—80, 90 or 100 per cent full. But, in the four or five years before that, we struggled to be much more than a half to two-thirds full. There are any number of reasons for that. Certainly, at the moment, accommodation is so rare in Townsville that a lot of people are probably behaving themselves because they know there's nowhere else to go.

CHAIR: Fair enough. Mr Byrne, what did you do before you started this lodge?

Mr Byrne: I run my own legal practice, as a single practitioner. I'm still doing that, as well as running the lodging house with my wife, and I have some other business and social interests. I'm 63, so I'm looking for a bit less law and a bit more of something else.

CHAIR: I hope I look that good at 63. Did you specialise in any particular parts of the law, or are you a typical all-rounder solicitor?

Mr Byrne: No. I've mainly done property law; hence, it leads to all this sort of stuff. I do the sort of law where you're building things up, not tearing them down.

CHAIR: Are there any lawyers like that left, though?

Mr Byrne: Senior lawyers in Townsville are becoming less and less—I'm becoming more senior by virtue of attrition.

CHAIR: Fair enough. If you had one key message for governments in terms of how to make our housing market better respond to the needs and wants of people, what would it be?

Mr Byrne: Stop looking at the old systems and look for what types of accommodation models there are here and overseas.

CHAIR: When you look overseas, where would you be looking?

Mr Byrne: I'm not sure. I've heard occasional stories about countries having different methods. I honestly don't know much about the overseas title system, but I think different models and different systems and outside of the square, so to speak—learn from others.

CHAIR: Thank you, very much, Mr Byrne. There being no other questions, Mr Byrne, I thank you for your participation today. It is a real pleasure to talk to someone who is actually doing, rather than talking about doing. If you have been asked to provide any additional information, could you please forward it to the secretariat by Wednesday 24 November. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors. Thank you very much.

CAMPBELL, Dr Emma, Chief Executive Officer, ACT Council of Social Service [by video link]

PISARSKI, Mr Adrian, Executive Officer, National Shelter [by video link]

[12:17]

CHAIR: Thank you very much for appearing before us today. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside Australia. I now invite you to make an opening statement before we proceed to discussion. Adrian, we will start with you and then go to Emma.

Mr Pisarski: Thanks for the opportunity to appear before the inquiry. I will begin by acknowledging the traditional owners of the various lands on which we are meeting. I am on Gubbi Gubbi land on the Sunshine Coast, and we acknowledge that the land was never ceded and want to pay our respects to elders past, present and emerging.

National Shelter is principally concerned about the position of low-income households in Australia, but we recognise that, to properly understand the position of low-income households, we have to look at the whole market and the operation of the whole housing system in Australia. Most low-income households in Australia live in the private rental market. Our rental affordability index has demonstrated over the last six years or so that pretty much all low-income households—and by that I mean quintile 1 households—have insufficient income after meeting housing to adequately meet their other costs. They live in poverty.

Housing affordability and supply, the subject of your inquiry, is a complex set of interactions and covers population, the cost of finance, the regulation of finance, planning issues, density, urban growth and a range of other things. We believe that it requires a national plan to look at establishing targets for home ownership, social and affordable housing, and private rental housing. This might also then help to guide the Reserve Bank of Australia's thinking and provide it with an additional reference point when it meets on a monthly basis. Instead of just looking at employment and inflation, it should also be considering the housing market.

We believe that the best way, going forward, and the way to establish that plan would be through the establishment of a national authority that can work with all levels of government and overcome the unproductive duck-shoving of responsibility, or, as Scott Langford earlier referred to it, the 'confusion' of policies that exists in Australia—that was the collective noun that he chose. That really means that we've been losing ownership to private rental, we've been losing our level of social housing and we really need to look at the overall incentives in the system and what they're driving.

Principal among those, I want to point to the tax system, and the federal tax system in particular. We have a system where capital gains tax discounts to investors and the absence of a capital gains tax on the principal residence, as well as negative gearing and other measures, all contribute to driving behaviour towards unaffordable housing. They all contribute to inflationary pressures, among those other things I mentioned. At the state level, we should be swapping stamp duty for a broad-based land tax.

It's obvious to us that the one thing you can guarantee that governments can do is to rebuild the supply of social and affordable housing in Australia. It's often been argued that building social housing will affect the property market—and we hope that it would. The UK, for example, has a much higher level of social housing than Australia, but it also has high rates of homeownership. It's the private rental market in the UK that's actually much smaller than it is here. We think that's an appropriate model to aspire to.

You've heard about the housing boost aggregator which CHIA outlined this morning, which the Constellation Project will talk about later; we agree with that. We think that the National Housing and Homelessness Agreement needs to be rewritten. We think that there ought to be a national framework for mandatory inclusionary zoning, and you'll hear more about that from the Constellation as well. What we really need to do is encourage states to move the asset base of the old public housing system, with appropriate protections, into the community housing sector. And we need a proper national regulatory framework. If we did all of that, it would go a long way.

I've been watching this morning, and there are a few questions that have been posed that I wouldn't mind having a go at answering that others may not have been able to answer. You were asking about the level of money that would be required by the federal government to meet \$290 billion identified—

CHAIR: No, no, no, don't steal my thunder!

Mr Pisarski: Alright. Well, I'll leave it there and you can ask the question!

CHAIR: This is so you, Adrian, trying to get more time in—starting to answer questions no-one has asked!

Mr Pisarski: If you missed the points, I'll come back to them.

CHAIR: Don't worry, I'll ask you that question. Emma, can you take over before he keeps going!

Dr Campbell: I think Adrian represents ACTCOSS's position very well also. But I have just a few points to focus on with regard to the ACT. It's remiss of me—I'd also like to acknowledge that I'm on the lands of the Ngunawal people and I pay my respects to elders past, present and emerging.

I think there is a misconception by many that everyone in the ACT is wealthy and can secure work in the Public Service. But, actually, behind a lot of the high averages here, we have 38,000 people living in poverty, including 9,000 children. Canberra is currently the most expensive capital city in which to rent. We have the highest rate of rental stress among lower-income private-rental households—73 per cent. And, according to Anglicare, of the private rental properties advertised in Canberra in March, not a single one was affordable for households on working-age social security payments.

CHAIR: Sorry, Emma. Could you just repeat that point about which houses Anglicare said weren't affordable?

Dr Campbell: Anglicare has an annual rental affordability study. They released the one for this year in March. Out of 1,002 private rental properties that were advertised at that point, not a single one was affordable for households on working-age social security payments. We believe that that the chronic lack of affordable housing in the ACT has led to a housing crisis, and, without significant federal and territory government investment in social housing, the ACT's affordable housing crisis will continue to worsen, deepening and entrenching disadvantage and homelessness in our community.

CHAIR: Thank you—after Adrian, I was expecting a much longer opening statement. I should have come to you first! Adrian, how many social houses are we short in Australia? Is it a million, 600,000, 480,000?

Mr Pisarski: At the moment it's about 450,000, maybe 500,000. There's a bit of movement in those figures. But the best estimates we've seen from AHURI say that we will need something like 800,000 new properties by 2036. It depends on the time frame that you're talking about. The NHFIC review talked about 'up to a million' houses over the next 20 years. So it's somewhere in that ballpark. But one of the things that those estimates don't necessarily do is calculate the impact on the market, if we do start to build at that scale. There would be a commensurate impact on the market. So it might that mean that house prices come down as a result of building at such scale, and therefore you wouldn't, potentially, need to build as many social and affordable houses over that period—if you were doing the job properly.

CHAIR: Going to NHFIC's statement of a million over 20 years, that's total housing stock, though, isn't it? Or is that just social and affordable housing?

Mr Pisarski: Social and affordable is what they're talking about.

CHAIR: So they say a million over 20 years, is that right?

Mr Pisarski: Yes.

CHAIR: Was that in their annual report?

Mr Pisarski: It was in the review that was released a few days ago, the Leptos review.

CHAIR: Emma, do you want to add to that at all?

Dr Campbell: We know that we've got a shortage of at least 3,100 social houses in the ACT.

CHAIR: How do you calculate that, just as a matter of interest?

Dr Campbell: We get that number from the Everybody's Home report, which is based on calculations from UNSW.

CHAIR: So you're using University of New South Wales data from their research centre—

Dr Campbell: Yes. We're not a housing specialist, so we rely on the data by the University of New South Wales, yes. But we also see it every day in our providers who are supporting women who are sleeping in their cars and so on and so forth.

CHAIR: Adrian, 800,000 houses by 2036: how much do you think that would cost?

Mr Pisarski: It's a lot of money. I'll use the data that was in that Leptos report: they're suggesting \$290 billion over the next 20 years. What we've done at the National Affordable Housing Alliance—which involves us, CHIA, ACOSS, Housing Industry Association, Master Builders Australia, Property Council and some superannuation peaks and funds—is have a look at that. And we think that the federal government contribution to that, to release

the rest of it from superannuation funds and other private investment sources, is about 13 to 15 per cent. So I'd be estimating something like \$40 billion over the next 20 years from the federal government as a subsidy for whichever—

CHAIR: Sorry, how much did you say from the federal government?

Mr Pisarski: That's \$40 billion over the next 20 years, so about \$2 billion a year.

CHAIR: Yes. Is that on top of what we already provide or included in—

Mr Pisarski: That would be additional. And that would generate \$250 billion from other sources.

CHAIR: Can you talk me through that?

Mr Pisarski: We've been looking at the modelling based on the housing boost aggregator that CHIA talked about, and that the Constellation Project will also talk to you about, and which there are submissions about. The modelling from that suggests that's about the amount of money that governments need to put in to provide the incentive to generate that kind of investment from super funds and other sources. And that would go to social and affordable housing.

CHAIR: Basically, what you're talking about is us subsidising loans from big super?

Mr Pisarski: Not loans—it would be equity investments.

CHAIR: Okay—equity investments.

Mr Pisarski: Yes. So they would be taking a big—

CHAIR: Basically, Adrian, what you're advocating for is that the federal government further subsidise superannuation to provide homes for Australians to live in—

Mr Pisarski: No. What I'm advocating is that the federal government subsidise the difference in the cost and the difference in what people can afford to pay, when they're on very low incomes, to acquire housing. And I'd also add that the savings to governments across the country would outweigh your investment by a long shot because you wouldn't have the health costs, the prison costs and the various other costs that are associated with avoiding people falling into homelessness.

CHAIR: No, that's just an assertion. Where's that data?

Mr Pisarski: There have been plenty of cost benefit analyses that demonstrate that.

CHAIR: Throw some of them at us.

Mr Pisarski: We will. There was one done by SGS. One was done by Mission Australia. Emma, do you want to add to those?

Dr Campbell: Yes. AHURI recently, very much focused on the territory government, did a cost benefit analysis on investment in social housing in the ACT. I'd be very happy to table that or send that through.

CHAIR: Can you take that on notice, Emma?

Dr Campbell: Yes.

CHAIR: That would be great. Are there any others, Adrian?

Mr Pisarski: There are a range of them, and I'm happy to forward them on to you.

CHAIR: Can you take that question on notice and forward them to us?

Mr Pisarski: Certainly, I'd be happy to.

CHAIR: That would be great. So your idea is that Australian taxpayers subsidise equity from super into social housing for Australians to live in. Is that right?

Mr Pisarski: What we're talking about is that the federal government provide an incentive to generate that level of investment instead of actually spending that money itself. In the past, you would have been spending that money yourselves on the development of social housing. What we're doing is finding you a very significant saving on the cost of providing social and affordable housing.

CHAIR: I would have thought that money comes from state governments, doesn't it?

Mr Pisarski: No. For 70 years, we've had federal and state government funding arrangements for social housing. That's the history of the Commonwealth-State Housing Agreement that started in 1946 under the Chifley government initially. It was then picked up by Menzies. That has continued to this very day, and its latest iteration is called the National Housing and Homelessness Agreement. That's been a 70-year process of joint funding by the Commonwealth and states.

CHAIR: You're saying to me that the funding for social housing or publicly owned housing, in its various forms over the years, has always come from the Commonwealth government?

Mr Pisarski: Yes.

CHAIR: Really?

Mr Pisarski: Yes.

CHAIR: So it's never been provided by the state governments?

Mr Pisarski: It's a joint funding program. In previous iterations of the Commonwealth-State Housing Agreement—I'd hope you'd actually look at the history of these programs—

CHAIR: Yes, Adrian—

Mr Pisarski: Under the Commonwealth-State Housing Agreement, there were massive funding—

CHAIR: I'm unaware of the federal government ever providing publicly owned housing to anyone.

Mr Pisarski: Have a look at the Parliamentary Library's website. They've done a series of papers on the history of the Commonwealth-State Housing Agreement and other agreements. You'll find it all quite neatly summarised there.

CHAIR: I'll go to that site. We had the Rudd government housing agreement. Would you like me to go through what happened there, or do you—

Mr Pisarski: I understand that. That was the National Affordable Housing Agreement.

CHAIR: So, Adrian, what happened in that instance?

Mr Pisarski: The—

CHAIR: The federal government handed over billions of dollars to the states to—

Mr Pisarski: No. It continued an existing funding arrangement, but it changed—

CHAIR: But what happened, Adrian?

Mr Pisarski: It changed—

CHAIR: Did funding on subsequent—

Mr Pisarski: I'll answer the question if you'll listen to me. If you keep talking over me, I can't.

CHAIR: I'm not talking over you; I'm just trying to get an answer.

Mr Pisarski: I'm happy to answer that question. The Rudd government removed the matched funding arrangements in the previous Commonwealth-State Housing Agreement and moved to establish outcome measures, rather than output measures which were there in previous agreements and, therefore, let the states off the hook of providing a reasonable contribution to those schemes. It meant that, in states like Victoria and South Australia, the states actually stopped putting money in. It didn't mean that for all states. In fact, in a number of states—Queensland and WA—the same level of money was put in; in the ACT, the same level of money was put in; and, in Tasmania, their proportion of state funding has been increased I will just point out, by the way, since you're having a go at the states, that in the last 18 months alone states committed an additional \$10 billion towards social and affordable housing over the next four years whilst the Commonwealth has contributed nothing. Nothing additional.

Dr Campbell: As a territory based organisation, our focus is very much on the territory government. There is much more, for example, in the ACT, the territory government can do through the release of affordable land for community housing providers. But the height of the crisis we're facing in the ACT means we need support from both the territory government and the federal government. Forty-eight per cent of the people coming to our homelessness services are women with their children, so we really need massive and significant investment from both the territory and the federal government. One of the things the federal government could do for the ACT is to forgive its historical housing debt, which has been done previously for Tasmania. It's not necessarily about either the federal government or the territory government subsidising investment from other sources; it's about finding the most efficient way we can build the additional homes we need. Here in the ACT, the Liberal opposition has been very vocal in calling for the ACT government to invest in order to empower our community housing providers to access additional funding, for example, from superannuation funds or from NHFIC and other sources.

CHAIR: I accept all that, Emma, but can I also tell you what I find objectionable in all of that: the ACT government introduced all these changes to the law in terms of private sector investment in creating cheap rental housing. What happened when they did that? Investors left the market. So now there isn't any supply; regional

supply has dried up in the ACT. So now the answer from people like Adrian and his organisation is that government should step in and provide this housing. How about if we actually stepped out and allowed people to build their own houses in which they can live? Let me ask you a question. Does owning your own home benefit your mental health: yes or no?

Mr Pisarski: It generally does, yes.

CHAIR: It generally does. Does it help with homelessness? Obviously the answer to that question is yes.

Mr Pisarski: You're not going to get an argument from us that home ownership is—

CHAIR: Does owning your own home help with reducing wealth inequality in society?

Mr Pisarski: But how do you own your home on a low income, when your policies have been contributing to house price inflation?

CHAIR: Sure, Adrian. That's a great question you ask, and that's what this inquiry is about. But maybe I can have some suggestions here. Maybe we can stop putting tax—50 per cent of the cost of a new house in New South Wales—shouldn't be actually the tax that the builder is paying to the state government.

Dr Campbell: In the ACT we have the highest rental yields—incredibly high rental yields—so it certainly is not narrowing the profits that landlords are making in the ACT. Another reason why people—

CHAIR: Emma, sorry—

Dr Campbell: want to own their properties is because of the high cost of living and the cost of health, the cost of utilities and so on. That's why the only way to survive in your older age is to own your property. So the other alternative is to lower the cost of living around health and other costs and increase income support.

CHAIR: Emma, I don't actually disagree with you. I think our disagreement is the source of that. The ACT government introduced all these restrictions on private sector investors in rental housing in the ACT.

Dr Campbell: I'm not sure what restrictions you're talking about.

CHAIR: There are things in terms of what level you can put your rent up by, for example. That's all capped now in the ACT. There are things around what people can and can't do in the ACT in terms of what they're allowed to allow tenants to do and not to do. It was a very pro-tenant piece of legislation. The result of that was that private sector investors exited the ACT market—and it's not just me saying that.

Dr Campbell: That's not true—

CHAIR: It is true.

Dr Campbell: We have the highest rental—

CHAIR: Sorry, Emma, what was that?

Dr Campbell: We continue to see massive investment from—

CHAIR: Where?

Mr Pisarski: The proportion of rental housing as a proportion of the total housing stock in Australia has increased consistently over the last few years, and home ownership is declining. How do you explain that?

CHAIR: Adrian, that might be the case. What I'm referring to here is the situation in the ACT. However, I am going to have to stop talking, because there are other members of the committee, but hopefully I will have some time to come back and speak to you guys. Ged, would you like to go next?

Ms KEARNEY: Maybe we could get some data on what you're arguing about in the ACT. I'd be very interested to see it, because you've both—

CHAIR: It is very widely and publicly available data, as is the data that under the Rudd housing agreement investment in social housing actually declined, as the states took the money and simply ran and didn't put it in. That's what happened.

Mr Pisarski: It's actually not true—

CHAIR: It's a matter of actual numbers on the table.

Ms KEARNEY: Adrian, if you can give us some information about that, that would be great.

Mr Pisarski: The Rudd government actually added 20,000 properties to the total supply of social housing. The only time in the last 30 years that we've seen an increase in social housing was as a result of that stimulus program, the development of the NRAS program. That's the only time we've seen an increase. A lot of that was off the back of much of that housing going to the community housing sector, which was then able to leverage it into even more housing in the way that St George Community Housing informed you that it had done over the last

15 to 20 years. That program, the National Rental Affordability Scheme, has been entirely responsible for part of St George's growth. It grew it to a scale where it could then engage with the Clean Energy Finance Corporation and various other schemes, do other deals and borrow from NHFIC et cetera. That actually increased the supply of social housing for a very brief point in time. It is since then that we have seen a decline in social housing levels in Australia.

Our social housing numbers are about 440,000 right now. That's the same as they were about 30 years ago. But the overall population has grown massively, so relative to population we have seen a significant and unwelcome decline in social housing levels. That's not in dispute. It's not in dispute that some states also ran away from their responsibilities. That's not in dispute either. All states and territories and the Commonwealth have the responsibility to address that now.

Ms KEARNEY: Adrian, this morning PowerHousing Australia talked about opportunities for the federal government to facilitate aggregated equity. What do you think about that proposal, where the federal government creates an equity investment structure for superannuation funds to invest in social housing?

Mr Pisarski: That's exactly what I was talking about before.

Ms KEARNEY: I thought that was the case. Go on.

Mr Pisarski: It's through the housing bond aggregator. CHIA has made a submission about it, which is supported by the Constellation Project and backed by PricewaterhouseCoopers and various others, including the Housing Industry Association. It's supported by PowerHousing, by us and by a whole raft of other organisations. We think that that is one of the best ways going forward to rebuild the supply of social and affordable housing in Australia.

Ms KEARNEY: Yes. As I said to them, as I've been involved with the superannuation industry for a long time, I think that that's incredibly important—and to reframe it.

Mr Pisarski: Yes, and there have been very positive indications from the superannuation industry that if the incentive is right—and I'm talking about an incentive which, I repeat, Jason, is the difference between what it costs to do it and what people can afford to pay to live in it. It's not a massive subsidy to the superannuation industry. You may think it is, but it's not. It's actually just about providing social and affordable housing. If government doesn't want to provide the massive \$290 billion that it's going to require to build social and affordable housing to the level that we need, this is a much cheaper way for governments to go.

Ms KEARNEY: You also recommend reducing the capital gains tax to 25 per cent. What would be the outcome of that? Is that merely to increase revenue, or do you think it would have another impact?

Mr Pisarski: It's to rebalance the incentives in Australia about housing. One of the reasons that we have had a loss of homeownership is because we have been providing additional support to investors since 1999, when the Howard government brought in the capital gains tax discount. It used to be calculated on a complex calculation around inflation levels. It was reduced at the time partly for GST and partly because interest rates were very high at the time and there was a reasonable argument about reducing it at that time. Those conditions no longer exist.

What we should be doing now is rebalancing that system. We should be reducing that capital gains tax discount so that we are rebalancing the system between potential owner-occupiers and investors who are going to buy rental housing, who are largely investing—and there's well-documented evidence to support this—for the capital gain. They're not investing to create a rational rental market; they're investing for short-term capital gain. That's not a rational basis on which to go forward in a national housing plan. The rational basis would reduce that so that we could level the playing field for people who want to buy a house to live in—to own and to raise a family in, Jason, which, as you suggest, is a great thing. Menzies himself was right behind that. That's the point: we want to rebalance the incentives between owner-occupiers and investors. There's no reason not to do that.

Ms KEARNEY: I might leave it there for now. Thank you, Adrian, for clarifying those things.

CHAIR: Gladys, do you have any questions for Emma or Adrian?

Ms LIU: I have been enjoying listening to the conversation and the argument, which is fascinating. I would like Emma to tell me what she thinks. Obviously you are in the ACT. Have you been looking at the different states in the country and comparing what other states are doing, which may be better or something that you can learn from?

Dr Campbell: One of the frustrations that we have in the ACT—and Adrian has talked about this—is the lack of investment by the ACT government in community housing. We support investment in public housing, but, if we really want to achieve the number of social dwellings that is required to meet the huge demand that we have in Canberra, the ACT government and, if possible, the federal government need to support community housing

providers—for example, through access to land that's affordable, rates, rebates, rezoning and other supports. That will then free up our community housing providers to access other sources of funding, like NHFIC or funding from superannuation funds or other private sources. That's a gap we see in the ACT.

Ms LIU: So you want to see the ACT government do more? Is there anything that you think should come from the federal government?

Dr Campbell: As Adrian's been talking about, the housing crisis in the ACT is such that it needs significant investment from both the ACT government and the federal government. We, through ACOSS, are a member of National Shelter, so we support the position of Adrian. One thing that the federal government could do for the ACT is forgive the historic housing debt that has been in place since before the ACT became a territory. That would free up some additional funds for the ACT government to invest in its social housing policies.

Ms LIU: Thank you.

CHAIR: Adrian, do you think we should be encouraging people to own their own homes?

Mr Pisarski: Yes, I do.

CHAIR: Emma, sorry, I should give you a chance to answer that question.

Dr Campbell: That's fine. Absolutely; it's the best way that you can take care of yourself in your older life in the current system that we have.

CHAIR: I think I will know the answer, but on that question there is an argument that goes around that says basically we force people to put money into superannuation. Given that all the data shows the best way to ensure financial security in your retirement is by either largely owning or outright owning the home in which you live, do you think we should give people the opportunity for their first home to actually use the money that they have saved in superannuation for a deposit?

Mr Pisarski: You're asking me, Jason?

CHAIR: I was asking Emma, but, Adrian, I have a long ago given up trying to confine you, so please feel free!

Dr Campbell: I may defer to Adrian on this question, but I might make a small comment at the end.

Mr Pisarski: No, I don't think it's a good idea. I think what it would do is add to the inflationary pressures that already exist. We've seen that. It's pretty well established. The Reserve Bank talks about it. The first homeowner grants and all of the incentives that are put in the system, supposedly to encourage first homeownership, actually reduce first homeownership, because they put house prices up and therefore people who want to purchase their first home, who are generally on lower incomes, have real trouble saving the deposit to meet the gap and therefore don't get into first homeownership. But the overall effect on the market is that prices go up. So it actually defers their ability to get in the market if you provide further bonuses or payments or allow them to draw on additional funds which are likely to result in prices going up further. It might help some individuals to get there, but overall it will have a detrimental effect on first homeownership.

CHAIR: Emma, did you want to add?

Dr Campbell: Not specifically, but we're a member of ACOSS and ACOSS did oppose the increase to compulsory superannuation contributions, because they were concerned about the impact on people on low incomes. It's known to impact on your wages. Specifically on the issue of housing, I would defer to Adrian, but I did want to make that point.

CHAIR: Thank you, Emma. I appreciate that. Adrian, in most markets when prices go up supply increases. Why do you suppose that doesn't happen in the Australian housing market?

Mr Pisarski: It does actually. What happens in the Australian housing market—we have seen additional supply beyond what's required for population growth over the last few years, particularly in the last year as house prices have gone up and there have been additional subsidies through HomeBuilder and what else in the system. Prices have gone up and demand has also gone up at a time when we haven't had population growth at the same time. Although, there is an equation between people returning to Australia and not leaving and those who normally come here under immigration programs. But I make the point too about supply, that we have, according to the census, some 900,000 unoccupied properties in Australia on any given night, so, we have sufficient supply, but we don't have the right distribution of that supply for the people who want it.

CHAIR: I—

Mr Pisarski: You might argue that point—

CHAIR: You'd be surprised to hear—

Mr Pisarski: You want to talk about supply—

CHAIR: Why don't we go to what you're saying. We go to demand verses supply. According to the Reserve Bank, in Sydney alone, we are undersupplied by 100,000 houses and that that has only increased since that point in time.

Mr Pisarski: But that's happened over—

CHAIR: So obviously supply has not kept up. According to the Grattan Institute in the last 30 years, the amount of dwellings per capita in Australia has gone through the floor. If you look at household formations in Australia, using ABS data, the amount of people staying in a single home has gone from 2.3 to 2.7—which doesn't sound like a lot, but, across the entire population, it shows there is massive stress on people, and that's why there are more people living in the same home.

Mr Pisarski: I'm not arguing we don't need more supply; I'm arguing we need the right kind of supply.

CHAIR: You were just arguing before that increased prices has led to increased supply.

Mr Pisarski: No; I'm saying we've had increased supply relative to population, and prices have kept going up.

CHAIR: I've just given you a whole bunch of data, not—

Mr Pisarski: The Grattan data and ABS data that you refer to look at trends over 20 years. That's quite right; we have had an undersupply over the last 20 years. But in the last few years we've been building above the level of supply we need to maintain the population.

CHAIR: That's just not true.

Mr Pisarski: It is true. The Property Council says that.

CHAIR: It's not true. We have had two years, 2018 and 2019, where supply exceeded demand.

Mr Pisarski: That's what I'm talking about.

CHAIR: For those two years.

Mr Pisarski: That's right.

CHAIR: In the last 20 years we've had two years where that's happened.

Mr Pisarski: That's right. I'm not arguing with you that we have an undersupply of housing overall. But it's not a simple equation. We need to build more supply, but you're going to go to an argument which says, 'Remove all the taxes and charges, release land willy-nilly on the fringes of suburbs and we will get more supply.' That's not demonstrably true.

CHAIR: Well, it probably isn't true, but—

Dr Campbell: May I just add: in the ACT, we want more land at affordable prices supplied to our community housing providers. The sale of land supply is an issue in the ACT for the delivery of more houses. The challenge for the ACT government is that it's their main income. We—

CHAIR: Sorry; can you explain how it's their main income?

Dr Campbell: One of the things we're arguing in the ACT is that the ACT government should be giving access to land that the ACT government has released at affordable prices.

CHAIR: You're not saying 'for free'; you're saying at a price that they can—

Dr Campbell: Yes. I would argue that, in the ACT, community housing but perhaps more broadly land supply is part of the issue. I will continue to call on the ACT government to release more land, particularly to community housing providers. The other issue for the ACT government is that the sale of land is one of their main sources of income, unlike in other jurisdictions.

CHAIR: A bit like Hong Kong?

Dr Campbell: I'm not as familiar with that, but Hong Kong, when they sell blocks of land—that's a very important source of revenue, yes. I'm not an expert in these areas but I would expect that there are similarities. I'm very excited to have Canberra compared to Hong Kong; it doesn't happen very often!

For the ACT government, it's their most important source of revenue. We're seeing increasing inequality and increasing disadvantage in the ACT. We need to put more funding into our schools and our hospitals here in the ACT. That's why I think it's important that the federal government supports the ACT government so that they're not solely relying upon land sales to allow them to fund the other things they're responsible for, and that land can become more accessible for community housing providers and possibly private owners or affordable housing as well.

Ms KEARNEY: What do you think about that, Adrian? Sure, we can release land, but it's in the hands of the community development organisations rather than just developers generally.

Mr Pisarski: I think we should certainly make land available to community housing providers. I think, where possible, we can make land available to general development. There's no problem with having more general development; I've got no issue with that in suburbs. But I don't want an endless suburban sprawl that means we have to build additional infrastructure at very expensive rates, when we could be taking better advantage of the infrastructure we have. I think there are patterns of population movement going on now through COVID that mean we need to re-evaluate where people are living and what infrastructure is needed, where it's needed et cetera, and what land is needed elsewhere. It's always a complex interaction of all those things. I will return to that initial statement: it's a complex equation in housing, nothing happens quickly, and we need a national housing plan.

CHAIR: Thank you, Adrian and Emma. I appreciate you guys coming in.

Mr Pisarski: I enjoyed it. I hope that the Hong Kong comparison wasn't about the political dynamic between the federal government and the ACT government—comparing it with China and Hong Kong!

CHAIR: I fear that an analogy can be drawn, which is worrying! Thank you for your participation today. If you have been asked to provide any additional information, please forward it to the secretariat by 24 November 2021. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors—not to keep arguing with me, Adrian! Is that understood; you can't add bits to the *Hansard*.

Mr Pisarski: I understand. I've been through this process before, thanks.

CHAIR: You are an old hand, I agree.

Proceedings suspended from 13:01 to 14:00

BRYANT, Mr Keith, Chair of the Board, Constellation Project Ltd [by video link]

JONES, Ms Jacqueline, Chief Executive Officer, Constellation Project Ltd [by video link]

CHAIR: Welcome. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside Australia. I now invite you to make an opening statement before we proceed to discussion. Jackie?

Mr Bryant: I might start, just by way of introduction, just to give the framework for who the Constellation Project is. I won't spend long on this, but it will give you the perspective we're coming from. I'm a former stock broker. I spent 20 years in stock broking and have spent the last 20 years very interested in how we get better transparency and accountability in the community, in community organisations, in service delivery and in welfare and health. About eight years ago I began an entity called the Business Alliance to End Homelessness, which in the last 18 months has merged with the Constellation Project, and we're now called the Constellation Project. The essence of our organisation is very much about: how do we work across sectors? These are really deeply entrenched problems. The whole issue from homelessness all the way up to affordable housing is something that really, with great respect, is still a very, very challenging thing even for the most committed and organised government to do.

Our notion since we began the business alliance was very much around needing businesses in the private sector, particularly with a philanthropic hat on, to consider what's the common interest. Everybody in our community should have access to safe and affordable housing. We should be aware, particularly for lower income groups, not just the lowest income groups, that once they start spending more than 30 or 40 per cent of their income on housing we've got a problem, and we're not collectively managing to solve that. The notion of the business alliance was about building awareness and knowledge amongst the business community, amongst private individuals, amongst philanthropists about how they can contribute, how they can be aware, how they can be conscious of what might be silly policy and what isn't, and, from there, in a constructive way, make a contribution. We drive that through the Constellation Project by the connections with the community sector that the business community can build and obviously with the government sector. Jackie?

Ms Jones: Thanks, Keith. I might make some comments about how we work. As Keith said, when we came together as the Constellation Project we really wanted to work across sectors in a way that we didn't see a whole lot of that kind of work happening and particularly we wanted to focus on systems change, so a lot of the more complex issues we're facing when we start talking about housing affordability and homelessness. The way we work is we have a very small team of people who are seconded to the project. They are supported by a number of private and public organisations. At the moment that's PwC, Mission Australia and Australian Red Cross, and also some additional support from NAB, who support the resourcing of the project. The way we work is that we actually bring together small groups of people who volunteer their time to work together to discover and accelerate solutions to homelessness. As Keith said, because we are a housing first project, for our first couple of years we were really focused exclusively around understanding housing affordability and making the distinction, as we did in our submission, between housing affordability generally. For the Constellation Project our focus has been on housing affordability for the people on very low to moderate incomes and how we might think about changing our system in Australia so that we could have an adequate and appropriate supply of housing for those people.

The way we do this is to pull together diverse groups of people and look at the evidence base. Again, thank you to this committee for asking us to bring forward evidence based solutions. It's one of the core principles of the Constellation Project's work. We're not so much about new ideas as about looking at ideas that have been tested, tried and found to be successful in other jurisdictions. We are really taking the approach of how we might apply those solutions or make them work in the Australian context—or in a broader Australian context for solutions that, in some cases, have worked in a small context. So we have small teams that work together over short, accelerated cycles of work. They're called sprint cycles.

One of the other things that we always do on a project is to have people with lived experience of homelessness working alongside us, sometimes working in the teams with us or providing advice and support to the work that we do. That is because of our commitment to understanding that it's taken us a long time to create these solutions, which means that we have a very highly skilled and expert group of people who have had firsthand experience, and sometimes indirect experience, of homelessness, so we're able to draw on their expertise for the solutions we

are accelerating, as well as the expertise of people who are in service delivery and on the front line and actually providing that support. I might finish there and go back to the chair.

CHAIR: Thank you very much. I really appreciate your time and effort, and I think you guys are doing some pretty extraordinary and interesting stuff. In this committee hearing, we are trying to work out what is causing the affordability crisis in Australia. Do you have an answer to that question?

Mr Bryant: I can have a go. As with a lot of deep problems, there are going to be a range of solutions, and we're going to come back. But my view on the cause, to be honest with you, is that we are an unusually highly concentrated country in terms of where we live. We have five big cities where 70 per cent of our population live, and we have a high immigration rate, for a whole lot of good reasons. That's who we are, but, in the context of the modern economy, cities have become the way to live. People want to live in big cities. We don't have a lot of medium-sized cities in Australia. It's quite unusual and is different to what you see particularly in the United States, where they have that ability to have the 700,000-, 800,000- or 900,000-person city where you get high-quality health care and education and good transport links. We have far too many towns of 30,000 people in Australia. That's not in the submission, but I think it's a real problem for us, and you just get hothouse effects in places like Sydney and Melbourne where people want to live.

At the end of the day, I believe we have a pretty cost-effective construction industry, but at the bottom of it is the price of land—little pieces of land. What people are being forced to pay for them is just crazy. We can talk about interest rates, credit policy and zoning policies, which are clearly a factor in this. But, at the end of the day, we know how a lot of really good efforts have been made to increase the supply of housing inside the major cities in the last five to 10 years, but at the moment I'm still completely unconvinced that we have a way of actually halting this situation with the affordability of housing, which is being exacerbated.

Anyway, I don't want to pretend we're going to be able to solve our regional problem—let's call it that—overnight, but I think there is an interesting situation that the government and all of us face at the moment where the effect of COVID has been that we see people becoming interested in moving to regional areas. One thing that is not in our submission but that I suggest you might like to look at it is that there were some really great things that our governments did in the fifties and sixties about opening up areas like Campbelltown in Sydney. They really had quite interesting approaches to how the land was partitioned for new housing. And we do need to applaud how successful we were as a country in the period after the Second World War in building a really fair, equitable, dynamic economy based on stable housing that people could afford. It really is a problem going forward that we've lost the knack for doing that.

Now, it's quite interesting: I know there's a thrust of government to be standing away from it, but it would be really interesting for government to revisit some of those regional-type issues and look at maybe areas like Noosa—I don't know—where maybe there could be 700,000 or 800,000 people in 30 or 40 years time. How do we make sure they've got really high-quality health care, really good education? If you're a person in your 50s or 60s who might want to retire to those areas and you've got a mental health issue or another serious health issue—which of course is increasingly a problem—you're going to be very reluctant to leave your capital city, because you know that that's where the highest standard of health care is. So I think somehow we have to build opportunities in some of those regional locations.

Anyway, that's a long-term, big-picture thing, Jason; I apologise if it's in that scope. I definitely think there are things your committee could look at—and I'm sure they're looking at it—around tax policy, credit policy and immigration. Immigration should definitely be on the table. I'm a big fan of immigration; I think it's who we are. But really we've got to be realistic: it's putting too much pressure on the infrastructure in our cities. And zoning: it's more of a state matter, but I think there are some issues within zoning that have to be addressed.

CHAIR: Jacque, did you have anything you would like to add?

Ms Jones: I have just one other comment. From a broad-based affordability perspective, one fundamental is that the cost of housing—even though the cost of financing housing is very low at the moment—and the cost of land, the cost of building, compared with the rents you can attract, particularly when you're talking about low-income earners, just don't match up. That's the problem with affordability. It's one of the fundamentals of affordability, and it's why we can't build more-affordable housing in this country. As Keith said, we're good at building homes, we're good at building housing in this country; we're actually very good at it. But we can only build it to the level that the market can tolerate. What is concerning is the disparity—and I saw some good research yesterday—and the multiples of average wages versus average mortgages. We're not even talking about private rental, with 30 per cent of income being the test for affordability. Even when you start to look now at current mortgage payments, the disparity between the size of the mortgage and the size of the income is getting

broader. That is obviously also a huge concern for affordability and, as I said, that affects the entire market, not just the low- to moderate-income earners we're thinking about on Constellation.

CHAIR: Have you guys seen a study that recently came out, by Cristina Bratu, Oskari Harjunen and Tuukka Saarimaa? It's titled 'City-wide effects of new housing supply: evidence from moving chains'. Basically they studied the impact of increasing housing in centrally located, upper-market areas of Helsinki, and the greatest part of the impact of increasing that housing supply was in the middle- and low-income areas, even in the very short run. I was wondering if you'd thought about this: if you want to increase and improve housing affordability, especially in the big cities—as you were referring to, Keith—then if we increase supply, as this particular study says happened, in those upper-market inner-city areas, that's actually the best and fastest way of reducing the price of housing for low-income earners. And that is my last question, so Julie can pick it up from there.

Mr Bryant: I had experience for seven years working with a community housing provider in Western Sydney—Wentworth Community House. I was the chair of the board there for a number of years. I learnt a lot in that process about our social housing system, let's call it, and some of the flaws with it. Here is an interesting way to look at the problem and the solution you've just described. If you were a single, retired person relying on low-income housing, assuming you have no super or anything else, your income through your pension would be \$27,000 a year or thereabouts. I'm just being an investment banker here, if you can go with me, and reverse-engineering that. I think it's a very good model that people like that should only be spending 30 per cent of their income on housing, which would mean spending about \$8,000 on housing. There's a bit of Commonwealth rent assistance that you might get as well. Still, if you got to \$11,000, wow! So I started thinking: how do we build something for an income of \$11,000? You've still got to allow for the debt costs and the maintenance costs.

I'm coming to your point by saying: I think the Finnish example sounds a really good one, but it's really important that we know the income constraints of where we're heading and what people can afford. What we're seeing in the market is that none of the new housing that keeps getting built is really affordable for these types of people. It's not even close to being affordable. We have to challenge ourselves: do we perhaps need to build smaller sized dwellings? It always used to stagger me that there was a kind of standard in social housing that it had to be this big. I wondered: in return for security, maybe we could cut the house by 30 or 40 per cent. Maybe there would still be a high level of satisfaction, if it meant we could actually deliver more of those houses. Obviously, we can look at things like modular buildings and construction costs, but, having gone down that route, I know that's still pretty tough.

I think the price of land is really important. It's just incredibly important how government plays a role in the release of land and the price of land. That's a complicated issue, but, if you want to go down a route like that, I do believe that you've got to do more than just let the market build what it's going to build. You've got to make sure it is available for those types of residents.

Ms OWENS: You suggested that there should be a national framework for mandatory inclusionary zoning. I'd like you to talk a bit more about that. Does that mean the same thing around the world? Are there different ways to interpret it? Are there unintended consequences? How flexible is that for you? Are you talking about allowing zoning of land trust in some areas? Are there different models, or is it quite narrow for you?

Ms Jones: I'm going to do a little bit of background because it will be useful to answer your question. The inclusionary zoning work really started from the perspective of the fact that we know it's just one of the things that can increase the supply of affordable housing. It's not the whole answer; it's just one thing. We came from a perspective of saying, given that what it means in other jurisdictions—and, as you can tell from our submission, we looked at a lot of other jurisdictions where it works—is that usually private developers end up building a lot of this housing. We had a private developer working with us in the team, who was saying, 'We've got to make this work for the people who are actually going to build this housing, so we've got to think about our own context and learn what we can from the other contexts and bring it to our context.' That sounds like an easy question, right? But it's not an easy question. As you say: What are the boundaries? What are the things you go narrow on? What are the aspects that you really want to control?

In terms of the framework that we built, this is not a fixed policy document. We really want to be clear about that. What we've done is, from a group of quite diverse perspectives, we've said, 'We think this is a framework that will work in the Australian context.' There's one caveat I'll put on it, which is that it's a framework that will work in the Australian context in urban areas. We think the framework we've built requires some adjustments and amendments for some of those more regional areas. As I said, it's not a policy document; it was more a case of us wanting to demonstrate that we can do more than just talk about how inclusionary zoning works in the UK, because then you immediately get to the point where people say, 'But that wouldn't work in Australia because the context is different.' So we have built a framework where we've said, 'This is how it could work in Australia.' I'm

sorry I'm not exactly answering your questions, but my point really is that we think we've built something that then is up for those kinds of conversations. I would reflect back to you to say: What are the things that you think wouldn't be palatable in the Australian context? Where would we have to adjust in order to make this an effective framework to be able to implement nationally? I know that a lot of people say that this is a states matter, not a matter for the federal government. The reason we want it to work nationally is that one of the things we hear all the time is, 'We don't build housing state by state.' A lot of the companies that build housing build across many different state and territory boundaries. What they say to us—and, as Keith pointed out, so do housing providers—is: 'We want something consistent. We don't want to have the inefficiency of different frameworks across different boundaries. Let's actually have a consistent national framework. It makes it much more transparent. It gives us all the ability to understand exactly where the boundaries are.' So that's the spirit of the framework that we have built.

Ms OWENS: My next question was going to be, 'Why national?' but you've answered that one. Thank you. Can I talk now about time frames? The certainty for investors would need to be over a substantial period of time with a fairly constant consistency. What kind of time frame would you need to make it work?

Ms Jones: Again, I think that's really at the point of going to a policy conversation, but what we've built into our framework is that it's somewhere between three and five years that you'd want to have your first phase in, so that you would give a notice period, particularly for those people who have land that they may want to make a decision on. At the moment—except for some exceptions around the country where we do have some inclusionary zoning—people have purchased land on the basis of a particular kind of zoning. So, to be fair and to create fairness and transparency, you want to have a notice period—maybe three years, maybe five years—where you say, 'If you have purchased land at this point, this is the point at which the first phase will finish, and there will be some requirement for zoning after that first phase, and then potentially we would go to a full phase.' But you would definitely phase it in over a number of years. That came out very clearly in our very early conversations with people, and in fact it's how it's been done in other jurisdictions. You don't just turn it over from the Friday to the Monday; you actually need to have the ability for people to make good, informed decisions about what they're going to do with their current investments.

Mr THISTLETHWAITE: Thank you for your evidence. The boost, the new annual tax based subsidy, that you're suggesting in your submission—how would that be funded?

Ms Jones: It is a subsidy and so it does need to be funded from public sources. We don't position a particular source of funding, certainly in the submission and also more broadly. If I talk a little bit about the source of this thinking, the housing boost aggregator came from the position that we knew there was—and there still is—an appetite from institutional investors to invest more in affordable housing, in particular, in Australia and that in fact that kind of investment that was flowing into affordable housing in other countries was not being matched in Australia. What the housing boost aggregator seeks to do is turn on that tap, to unlock that source of investment. What the evidence says to us is that in order to unlock that source of investment you have to have some kind of co-investment. You have to actually have a funding stream or a subsidy stream in order to turn on that tap of institutional investment or private investment.

As I said, we don't pretend to have the answer for you guys, for governments of the world, as to what source that particular funding does come from. What we're focused on is the fact the reason we built the housing boost aggregator is that we have seen the impact that that has had in terms of the supply of housing in other jurisdictions. That has been really effective as a way of turning on that tap, of unlocking that supply of private investment into affordable housing.

Mr Bryant: Some of the people in our group that come from that business environment are quite interested in impact investment frameworks. They are the notion that by not spending this money you have longitudinal life outcomes that ultimately cost the government and the taxpayer a lot of money, whether it be health systems, prison systems or welfare systems. That's an approach that could be considered here, either social impact bonds or social investment bonds. It is really about getting our heads around, as a community, the notion that we need the evidence. We need to keep building the evidence.

That's why people like me and Jackie are certainly working with agencies around this that says: 'You know what? By not providing that sort of stability there are a whole lot of costs that build over time. People have life experiences where they have ongoing welfare dependence in all its different forms. Are there ways the government invests now'—it may not be the government; maybe the private sector under an impact bond—that can provide this additional funding to make this housing boost effective?' It doesn't have to be a straight-out subsidy from government with no understanding about how it's paid for. In the long run, I think that impact framework—people like me and the other people involved or in a business intuitively get that, if you don't fix

these problems, it probably will cost us in terms of productivity for the economy. Otherwise, what we need to do is build the data that starts to show that.

Mr THISTLETHWAITE: The government currently funds through NHFIC the bond aggregator process, which is concessional loans for developers to build affordable housing. Are you saying that this would be a better approach to providing public funding to support better outcomes, or do you think the bond aggregator process is working okay?

Ms Jones: The bond aggregator process is working fabulously. This is not an either/or proposition. If you look at an individual development, they might attract NHFIC funding for a particular development. The bond aggregator gives you the ability to fund the gap. This is really addressing the fact that even with NHFIC funding there are still a whole lot of projects that have a funding gap, they're just not feasible. As we know, there's a problem with all of these kinds of developments, which is that the money you can attract in terms of the returns and the rental returns from your tenants simply doesn't match the costs you need to finance the project. This is not an either/or proposition.

Mr THISTLETHWAITE: What is the refund or tax offset for? Is it for the construction cost or is it for loan interest?

Ms Jones: Usually with most of these projects you can fund 60 to 90 per cent of the construction costs. It's that last percentage, that last layer of funding, you need. I hesitate to say it's for anything in particular, in the sense that it's really just making a project feasible rather than not feasible. The idea behind the boost is that it brings a whole lot of projects online and provides a whole lot more supply that currently won't be built.

Mr THISTLETHWAITE: Thanks.

Mr YOUNG: Thank you for your time. As a little bit of introduction: I did 35 years in the sector, with 20 years as a small-business owner, before I came into this place. I'm one of the people that Matt's talking about. I'm quite interested because many small-business owners don't have the philanthropic heart that you guys obviously do. For most people it's about the bottom line and earning as much as they can. One of the greatest challenges I see is market forces. It's been my experience that, when governments come in and offer subsidies and incentive schemes, all that ends up doing is creating a better bottom line for the investor and not reaching people.

I remember a classic example in Queensland, where you had LPG subsidies for people to convert to LP gas. The subsidy was 2½ grand, and the price the next day with most of the LPG guys who installed it, surprisingly, went up by 2½ thousand dollars. We had the same thing happen in a few developments as far as the HomeBuilder program, which was very successful. All of a sudden, blocks of land went up by 25 grand, which happened to be the amount of the subsidy. I see that as one of the great challenges, and also the balance between respecting the fact that we are free-market and a democracy, and we normally let markets determine where they go. What I'm concerned about is that, if all of a sudden we start having these zones where there's more affordable land to buy, does that actually disincentivise people from going and getting higher-paying jobs? At the end of the day, their disposable income in some cases could actually be better off if they stayed on a lower income below the threshold to receive the subsidy than if they actually went and took that job that paid an extra 10 or 20 grand, because they wouldn't then qualify for low-income housing. How do you address those issues?

I love the concept of all of this, but I'm really struggling to understand how as a federal government and under our federal responsibilities—look, I want to thank you, and I should have done that at the start, for reinforcing my view that we need to abolish state governments altogether! That was very good. They're challenges we have. When developers are looking at it, they're looking for the best return they can get on their investment. If they can't get the best return there, they'll just go into other fields. That's a thing we have to protect. I'm interested in hearing what you say about those issues.

Mr Bryant: I'll have a go. I'm an economist. The way you incentivise around this is one of the great challenges. How do you build things that change people's behaviour? How do you get in early these things that we know are smarter? How do we do that? There's absolutely no point in your example you gave there. We're not interested in funding stuff that distorts markets and gets people's behaviour to change in a bad way. We've got to find smart ways of intervening that actually do produce the outcomes we're talking about. To me, the outcomes are that we should be aiming for a system where, whatever their income level is, people are paying no more than 30 per cent—maybe in the higher income groups it doesn't really matter, but people shouldn't be paying more than 30 per cent, whether it's as a mortgage or a rental payment, of their income for their housing. We should all own that as a community as the outcome we want to get to. It's very clear to me—you may be seeing it differently, Terry—that there are really big swathes of the population who are really struggling living in big cities being able to achieve that.

Mr YOUNG: I totally agree with you. My point is about how you do it. The market is the market. How do you do that respecting the fact that we do live in it? If, all of a sudden, we start taking over and saying, 'You can't do this and you can't do that,' then we're no longer in the free market. That's the challenge that I see.

Mr Bryant: One of the other hats I have is chair of the Foyer Foundation, which is a youth homelessness model. It is about transitional housing. Social housing can be an environment where it's just so attractive financially to stay within social housing. It used to really surprise and frustrate me how little data we had about how many tenants moved on from social housing. For whatever reason it is, there are many good things in my opinion about the social housing system, although I know it doesn't have a good name. It is that notion that once you get in there you're crazy if you leave it. That's the wrong incentive for, let's call it, social housing. There must be a component of people within social housing about whom we're constantly thinking: 'How do we encourage them? How do we step them through a process and incentivise them so that they are moving back to, let's call it, the system that the rest of us are participating in?' That system has got all those market forces you're talking about.

Mr YOUNG: You're absolutely right.

Mr Bryant: Under the Youth Foyer model, kids get two years. These are homeless kids; they get put into congregate housing, a bit like university accommodation but based on TAFE land. They have to go to class—that's a condition of their tenancy. They have a maximum of two years, but they're expected to go to class. It's taking kids who might have an out-of-home-care background and actually transitioning them from homelessness to stable life outcomes, through training and education, into employment. Those kids have no hope unless they have education, training and outlets to jobs. You've got to step this through. To be frank, leaving the system as it is, you're not going to get that outcome. You have to be quite positioned about how you intervene, but there are smarter and smarter ways. That's the mantra that we're about at Constellation. How do you find these smart ways that allow us to transition people through these things? We could do with a lot more transitional housing in this country. Because of the high demand for social housing, permanent social housing, it's almost impossible to have transitional housing for that mum that wants to break away from her husband because of a domestic violence situation. They can go to a hostel, but that's for three months, maybe a bit longer. It's really important for those groups and to be able to say to that mum: 'There are a couple of years here. Let's get your life together; let's give you some support.' And then how do we move her back to what the rest of us would call a more normal market condition? There isn't enough of that culture and thinking in the way we're working at the moment, to be frank.

Mr YOUNG: Yes, and that's one of the problems that I've found on the ground when I talk to people. In Queensland, obviously the Queensland government handles social housing. Often when people go in, they're on that low income, but the problem is that it's not reviewed. As long as they're in that house, it's just a percentage of their income. They might go in there and their household income might be \$50,000. Ten years later they're on \$120,000, but they're still in social housing, because it's just a percentage, and that's way cheaper than going out into the private market. So they're actually disincentivised. But, if you start putting provisos on them and saying, 'It's only for two or three years,' I'm concerned that, again, it disincentivises them from going out there and trying to find the higher paying job. They go, 'Blow that—I'll just stay where I am.'

CHAIR: Terry, can I interrupt there. That's a really good point that Terry has touched on there, Keith. We've heard that there are 440,000 social and affordable houses in Australia. How do we know that they are being allocated appropriately?

Mr Bryant: There's a very detailed system within the state governments around how their housing policies are run.

CHAIR: But Terry's point is that, once you're in, you're never out, are you? Even if—

Ms Jones: You can be out. It's possible.

Mr Bryant: If you're in a Western Sydney suburb—

Ms Jones: Most definitely you can be out.

Mr YOUNG: I can tell you in Queensland that that's not the case. They will stay there. I asked the housing department. I said, 'Do you review these people if they go above the threshold?' and they said, 'No, we don't move them on unless they move.' So that's an issue.

Mr Bryant: I completely agree with you that it's an issue. I guess it's a question of how you deal with it. Does that mean—

CHAIR: Keith, can I give you an example. We've had community housing providers—and I won't name which ones—appear before us. In discussions I've had with them, not in front of this committee, I've asked them

this question and then they say, 'No, no, we move people on.' I said, 'How many have you moved on in the last five years?' and the answer was 'None.' Then I asked, 'How many people have moved out?' and the answer was, '0.01 per cent.' So it starts to look like, once you get in, there's no problem.

Mr Bryant: Let's say there are two houses next to one another in Blacktown and in one of them there's a lady of 65 who's in social housing, and there's a lady next to her in private rental. One will be paying half the rent of the other person, and there's such a huge gap there between what the market has done and this forum that's based on 30 per cent. I'm not presenting a case for arguing that the current system with social housing works. I would certainly argue that we have to find a way of finding what the mechanism, the behaviour or the incentive things are where people move on from social housing. The question you ask, Jason, is a really good question. How do you get state governments to own up to it through their housing system and their accreditation process for housing operators? How are we working to ensure that a certain percentage of people are moving on? I hear endless examples of people who are good people and who want to move on, but with the incentives it becomes such a mountain. You think, 'Oh my goodness, that's what happens when I exit this thing?' All the incentives are in favour of them not moving, and we have too little bridge in the middle.

Ms Jones: That is partly about the private rental tenancy security. If you're moving from social housing, it's not just the price. The price can be prohibitive, but the other thing is, as anybody who has rented a home in Australia will know, you lose a raft of protections that you have as a tenant in any kind of social housing system that you just don't have when you go into a private rental. That security of tenancy is not something that Constellation Project is working on currently, but it is certainly something that comes up for us regularly. We're doing some work in Queensland with women who've experienced domestic intimate partner violence, and that cohort in particular needs secure tenancy. They need to know that, if they're going to leave the family home and leave a relationship, they can go into a secure tenancy. That is a real question mark because, again, if you're talking about people moving out of social housing, how do we make sure that they have some level of security of tenancy when they move out of that system?

Ms OWENS: I had a case of four people with disabilities and their carers living in public housing, and they were actually paying higher than the market rate for social housing but wouldn't move, even though it would have been cheaper, because they needed the certainty because their disabilities came and went. One was a mental illness, et cetera. Have you seen cases of that?

CHAIR: I'm really sorry. Kate, can we put that on notice? We are way over time. I blame you, Jacqui, because you were very interesting. You should give more boring evidence in future! It makes it easier for the chair. I'm sorry, Julie. I genuinely am. Thank you for your participation today. If you have been asked to provide any additional information, please forward it to the secretariat by 24 November; it sounds like Julie's question will be part of that. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors. Thank you very much for your time today; we really appreciate it.

MURNANE, Mr Brian, Chief Executive Officer, Amelie Housing [by video link]

oCONNOR, Mr Toby, Chief Executive Officer, St Vincent de Paul Society National Council of Australia [by video link]

[14:45]

CHAIR: I now welcome witnesses from St Vincent de Paul and Amelie Housing. Thank you for joining us. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard.

Videoconference interrupted—

CHAIR: We're just going to suspend while we figure out what's going on.

Proceedings suspended from 14:46 to 15:04

CHAIR: Would you like to give opening statements?

Mr oConnor: Thanks, Chair. I'd like to start by acknowledging the traditional owners on the land on which I am, the Ngambri and Ngunawal people, and paying my respects to their elders past and present. I'd like to thank the standing committee for the opportunity to appear today and for considering the society's submission, and I'd also like to acknowledge the assistance provided by our members and our staff to those in need. Like many other charities working in the homelessness and low-income spaces, we've faced many operational hurdles over the last 18 months. The society, like our Commonwealth, operates as a federated model underpinned by the principle of subsidiarity, which is that decisions are taken by conferences at the local level—in parishes—and these conferences inform and advise regional and state councils and the national council on the needs of those who are in their local community. So we're a truly grassroots organisation. The society's submission outlines our experience as a provider of many forms of housing, from short-term crisis and traditional accommodation through to medium- and long-term community housing, accessible housing for people living with disability, and specialist homelessness and supported accommodation services.

We are acutely aware that housing affordability is a complex policy area. There are many drivers that influence the supply, demand and cost of housing, as no doubt the standing committee understands. Everything is in the mix, from Australia's growing and ageing population to fiscal policies covering wages, current taxes and home buyer schemes through to construction and planning laws. We are not experts in these areas, and we don't claim to be. We are assuming that the committee will be seeking briefings from AHURI, ABS and AIHW and evidence from National Shelter and the Community Housing Industry Association to cover these technical issues. But we know people and we know what's happening on the ground. We don't think you can fully consider the housing affordability question without taking into account what's happening in the community housing space.

Because we're a federation, all governments have a responsibility in this area, but the Commonwealth has a significant role to play and has done so since the first Commonwealth-State Housing Agreement was signed in 1945 and through the funding of Commonwealth rent assistance and, more recently, the National Rental Affordability Scheme. We would like to see a national housing strategy being developed—and this should be led by the Commonwealth—a review of the Commonwealth rent assistance program, a replacement for NRAS, a commitment by the Commonwealth to match state and territory funding for housing, the elevation of the housing minister to cabinet, and increased Commonwealth funding to increase social and affordable housing, with a target of \$10 billion.

With respect to community housing, I would like to refer the committee to Brian Murnane, who is the CEO of our community housing company, Amelie Housing. Over to you, Brian.

CHAIR: That was a very nice segue. Brian, would you like to make an opening statement?

Mr Murnane: Thank you. I too acknowledge the traditional owners of the land on which we meet, and I pay my respects to their elders. The society established Amelie Housing [inaudible]. We're a national organisation, and we have 1,440 properties, with about another 300 or 400 currently in the development pipeline. [Inaudible] expertise of organisations in other states and territories and within the society. Amelie Housing aims to create a sustainable pathway to permanent housing for all of our tenants by providing a range of housing assistance programs that build a response to housing stress, with an emphasis on social and affordable housing, including crisis accommodation, transitional housing and brokerage services to assist people to independent market housing where appropriate. Our model of housing [inaudible] society [inaudible] established a sustainable [inaudible] by attracting investment [inaudible]. When negotiating with government we bring to the table our wraparound support services, our land and access to finance, which is on much better terms than we can achieve through NHFIC. We could do much more if there was a coordinated approach to funding. We hold land and are shovel

ready but we don't have uncommitted funds available to progress this work. [inaudible] by community housing, affordable housing, by community housing providers is a significant difference between the cost of designing, building and maintaining and managing the housing and the income received from rent, plus the Commonwealth rent assistance. Given that rents must be set at levels affordable to low-income households, revenues can only support moderate levels of debt, which means funding gaps must be met by a community housing provider, or the private investor, thereby necessitating co-investment. Government funding incentives and targeted forms of assistance are required to incentivise the community housing provider investment in building new community and affordable housing. The upfront capital grant model supplemented by efficient funding is the most cost-effective pathway for government and community housing providers. Thanks.

CHAIR: Thank you, Brian, and thank you, Toby. Do you think it is beneficial for people to own the homes in which they live?

Mr Murnane: Yes, I think it is beneficial. Ultimately our goal is to transition people through from homelessness to transitional housing, social housing, affordable housing and into home ownership. We have been investing—

CHAIR: For the benefit of the committee, can you explain what the differences are for you when it comes to affordable versus social?

Mr Murnane: I might just turn my video off because you are breaking up.

CHAIR: When St Vincent de Paul or Amelie Housing talk about social versus affordable what do you mean?

Mr Murnane: Social housing is generally people on pensions or benefits who pay 25 per cent of their gross household income on rent and affordable housing tenants would be paying 30 per cent of their gross household income in rent, in general terms.

CHAIR: So it's the difference between 25 and 30 per cent?

Mr Murnane: Yes.

CHAIR: I guess if someone was living in social housing they wouldn't have to move. You can just move the rent up. Would that be fair?

Mr Murnane: In the ideal world that would be the case. But in most jurisdictions because programs are funded it generally means moving people from one location into another and that's something that we're trying to work with state governments to overcome. In theory what a person should be able to do is come into, as a homeless person, transitional housing and stay in that house. As their circumstances improve they would go from transitional housing, or a social housing tenant, to an affordable housing tenant. The ultimate goal for St Vincent de Paul Society—what we're exploring—is to offer them a program to be able to buy that house. We've done some work on it but it's a long way down the path yet.

CHAIR: Do you think if state governments charged less money for housing that that would make housing more affordable?

Mr Murnane: If they charged less money for housing?

CHAIR: Yes, if they taxed it less.

Mr Murnane: I see, yes.

CHAIR: We have a number of submissions in front of us that say that with a new land and home package 50 per cent of the cost is state and local government charges. Do you think that's making it easier or harder to buy a home?

Mr Murnane: It's making it more difficult. It's all of the development contributions that you have to make to local government. I know all of those services have to be provided, but one of the big impediments for us is that we're having to negotiate on a case-by-case basis with each local government, particularly in New South Wales, around section 94 contributions. Some local governments will give us some relief; others don't.

CHAIR: When the federal government funded housing, from 1945 through to about the 1980s, most of it went to state governments to provide that sort of infrastructure—roads, sewerage, electricity, water—so that individuals could buy their own home. Since about the 1980s or the 1990s, more and more money has been given directly to state governments to build their own houses. Do you think that we should reverse that policy back to what it was previously?

Mr Murnane: Do you want to comment, Toby?

Mr oConnor: I think housing is becoming a wicked public policy issue for us. It's complex. It involves various stakeholders. Obviously, working in a federation, we love to shift some of the costs. Certainly the amount

of money that's going to the states and the territories in other parts of the housing market, in terms of taxes, has clearly become a source of reliable income, so it's not in their best interests to keep house prices low, particularly at the moment, if you can see what's going on. It's a complex area, and some of the peak bodies that have the economic wherewithal are probably better placed to comment on the dynamics of that interaction, with all those financial components, than we are.

CHAIR: Toby, you say it's a 'wicked public policy issue', but is it really? Think about it: if you lower taxes, prices go down; if you increase supply, prices go down; if you fund the services instead of making builders like St Vincent de Paul pay for them, that will make it more affordable. Is it really that difficult a problem to fix?

Mr oConnor: When we use the term 'wicked' I think we need to realise that there really hasn't been an agreed overarching national and Commonwealth, state and territory approach to housing policy for at least 20 years. We've got a supply that doesn't keep up with demand and puts affordable housing out of reach of low-income people. The issue of affordability seems to me to be the wicked problem here. We can't tackle it. What we need is at least a 20-year national plan moving forward so that we can meet the demand and allow people to move through a transition process where they can get into their own home rather than continue to either have nowhere to live or to have to rely on very low incomes to live in hostels.

It's a problem that is now hitting more of the middle classes, who are now unable to purchase property in parts of metropolitan cities. Those cities have service workers like teachers, policemen, firemen and nurses et cetera who are unable to afford to live in the domain where their parents used to live and go to work, so they're moving further and further out. Obviously, as the previous folks indicated, with the COVID position, a lot more people are now moving out to the regions. We're making it much more difficult to even provide workers in metro areas. So, yes, it's all part of a wicked problem.

CHAIR: Thank you. Julie, do you have any questions?

Ms OWENS: I'm fine, thanks, Jason.

CHAIR: Matt, would you like to ask any questions?

Mr THISTLETHWAITE: Yes, I would. Thank you for your evidence. This is a weird question, but do you think that ever-increasing house prices and the problem with housing affordability are having a detrimental effect on the mental health of Australians?

Mr oConnor: Our members who meet with folks who are really in housing stress and finding it difficult to pay the bills would certainly indicate to us that there is an increase in the stress on individuals and families. We've seen that domestic violence, for instance, in the last few years is trending upwards, and this must all add to it. Our view would certainly be that, yes, it is leading to increased mental health issues.

Mr Murnane: A particular cohort that's badly affected is women over 55. What we're seeing is that their partner dies, they're in private rental and the society members get called to provide assistance with food, energy bills or chemist bills, but the real problem is the cost of housing. It's causing an enormous burden and enormous stress on that particular cohort.

Mr THISTLETHWAITE: A lot of the other organisations that have submitted to us have stressed the importance of the supply issue. They keep saying supply is the key. I'm just not sure about that. There seems to be something peculiar about the Australian housing market that means the prices keep going up and up and up. Do you have a reflection on the supply issue and whether or not you think we can fix it with that?

Mr Murnane: I don't know. We're focused on the social and the affordable. In New South Wales there are 50,000 applicants on the public housing waiting list; that equates to about 110,000 people. What's happening is that, as the cost of private housing goes up, more and more people go on the public housing waiting list, but there's a 10- to 15-year wait, in some cases, for public or community housing. That's had a knock-on effect, because the overall cost of the private housing is going up all the time—whether it's speculation, and people are going into it for speculative reasons, or whatever. For example, some people are giving us housing and saying: 'We want to assist you. We'll give you a house, and you don't need to pay us rent. You can put a low-income family in there. We're just going to live off the capital gain, or the capital growth of that asset.' It's an investment. They are upfront: 'It's an investment property. You collect the rent. As long as you cover the repairs and the maintenance, insurance or whatever costs, so it's not going to cost us, you can use it for as long as you want. We'll eventually pass it on to our children or whomever and just rely on the capital growth.'

Mr oConnor: I think the other thing about supply, no doubt as you've already heard, is that there hasn't been a steady increase in public or affordable housing over the last 20 years by the states and territories. So it's great that, in recent times, some of the states have begun to announce big investment back into that area, but we've got a lot of room to make up; making up for unconstructed buildings over 20 years means it's going to take a very long

time to work the supply back to the right level. And obviously prices are going up as that happens, so you're getting fewer units for your dollar from the Commonwealth and the states.

Mr THISTLETHWAITE: Do you believe that the purpose of housing in Australia has moved away from shelter for a family or individuals and towards a wealth creation vehicle, and is that something the Commonwealth should perhaps try to address in a national housing strategy? Should we be legislating as a parliament that housing is predominantly there to provide shelter, comfort and survival for people, so that our policies reflect that?

Mr oConnor: I think that is a view. I think that would be a very difficult view to articulate to the Australian people and the electorate.

CHAIR: Brian or Toby, what do you think our shortfall of social housing is in Australia at the moment? Or to some point in time?

Mr oConnor: I can take that on notice, because I'm sure that we articulated that in a previous submission but it just doesn't come to my mind. Unless, Brian, you have that figure?

Mr Murnane: Yes. We need a minimum increase of about 20,000 new social housing dwellings every year in the absence of a national housing strategy. The society's been calling for about a \$10 billion investment into social housing. And so, until we resolve the supply through a national housing strategy, I think we're pushing it uphill.

CHAIR: Just on that, the Victorian government announced \$9.7 billion spending on 11,700 dwellings, so if we're talking about 20,000 dwellings per year, aren't are we talking closer to \$17 billion a year, not \$10 billion a year?

Mr Murnane: Yes, we probably are, but—

CHAIR: And I noted the other day that the Victorian government hasn't managed to make a start on any of those because it hasn't been able to get planning approval for them. Do you think changes to the planning system are both necessary and almost a condition precedent to us fixing this problem?

Mr Murnane: Yes, planning is an issue. For example, in New South Wales, through the New South Wales Social and Affordable Housing Fund, we developed 502 new dwellings in just over three years. Early in the piece, someone gave us some advice, and the advice was to try and make each of our developments a complying development, which we did. I then went to the local council and said, 'Look, we think this is a complying development. Our advice is that this is a complying development. If we don't hear from you within 40 days, we'll take it that you're going to decline our application and we will go automatically to the Land and Environment Court.' Now, the councils all worked with us, and we got all of our developments, bar one, through in the 40-day period. But it does take a lot of work and coordination, working with local government to get them onside as to what you're trying to do and achieve, to make sure that your developments can go through. There is the issue around residents' action groups, which are also difficult to deal with. But it's not impossible. But, yes, the planning is a big impediment to quick delivery.

CHAIR: Thank you both for your evidence. We really appreciate it, gentlemen. If you've been asked to provide additional information, please forward it to the secretariat by 24 November 2021. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors.

DWYER, Mr Gerard, National Secretary and Treasurer, Shop, Distributive and Allied Employees Association [by video link]

DYRENFURTH, Dr Nick, Executive Director, John Curtin Research Centre [by video link]

WEBER, Mr Scott, Chief Executive Officer, Police Federation of Australia [by video link]

[15:29]

CHAIR: I now welcome representatives from the Shop, Distributive and Allied Employees Association, otherwise known as SDA, the John Curtin Research Centre and the Police Federation of Australia. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside of Australia. Mr Dwyer, I'll invite you to make an opening statement—followed by you, Nick—before we proceed to discussion.

Mr Dwyer: I'd like to thank the standing committee for being able to appear and comment on the critical social and economic issue of affordable housing. I'd also like to acknowledge the John Curtin Research Centre for the work they've done with my union over the past two years on housing and, in particular, on this submission.

Housing affordability is becoming a first-order concern for SDA members, who work predominantly in the retail, warehousing and fast food industries. Housing affordability has been falling for 30 years, and, for those on low wages, it is a constant struggle. As house prices rise so too do rental costs, and wage growth has failed to keep pace with the housing boom.

Housing unaffordability traverses our nation. Sydney is the second-most unaffordable city in the world, and Melbourne, Perth, Adelaide and Brisbane are unfortunately all in the world's top 20 cities for unaffordable housing. It means that too many retail workers in our larger cities can no longer live near their workplace. Think of the housing costs in Sydney's exclusive east or Melbourne's leafy inner eastern suburbs. Retail workers were recognised as essential during COVID, yet many can no longer afford to reside in the communities they serve.

There is also a gender dimension to this problem. The difficulty of entering the housing market for younger women, who will earn less if they work in feminised industries, is real, and the problem is exacerbated by a lifelong gender pay gap, of 32 per cent. As more women enter retirement, unfortunately in less secure housing arrangements, they will do so with superannuation account balances about half of their male colleagues.

The steep rise in the cost of housing is no longer confined to our major cities. The significant proportion of SDA members who reside in regional Australia are now also having to deal with the pressure of a housing market that is marching away from lower-paid workers. CoreLogic, in April this year, reported growth in regional rents almost three times that of the capital cities and that the value of regional dwellings had increased 13 per cent—more than twice that of the capital cities. In the Essential and SDA research, *State of the regions*, which is attached to this submission, we saw that 64 per cent of regional renters are now concerned about housing affordability and what that means for the future health and liveability of their local areas.

The SDA has offered some practical solutions. I draw the committee members' attention to the SDA's five-point national housing affordability plan, set out on pages 21 to 23 of the submission. In closing, I note that there is no quick fix to housing affordability, but, by adopting long-term, structural remedies, we can put housing affordability on a positive trajectory.

CHAIR: Nick, did you want to make an opening statement? Scott we'll come to you in a moment.

Dr Dyrenfurth: I will begin by thanking the standing committee for the opportunity to speak on this matter of vital national importance, and I commend the chair for instigating this inquiry, as we look to build back better from COVID-19. I suspect we all agree that strong rates of home ownership, adequate housing supply, and security and affordability for home owners, prospective owners and renters are bipartisan policy aspirations. There is no silver-bullet solution to the housing dilemma facing Australia. But, again, I suspect there is bipartisan agreement that we, as a nation, face a threefold housing problem. No. 1 is rising house prices—in fact, surging house prices during the ongoing pandemic, often confounding the laws of supply and demand—and unaffordability extending to mortgage stress. No. 2 is falling home ownership rates, which have been well documented, and No. 3 is inelastic supply. All of these trends have severe ramifications for Australians, especially young people and women.

Recent trends are particularly disturbing, and I note reports this week pinpointing the core problem. There is a disconnect between the earning capacity of working people, sluggish wages growth and insecure work, especially compared to soaring house prices. This is a long-run problem. The price of a typical house in Sydney has

multiplied by 17 times in the past 40 years, almost three times faster than wages, while in Melbourne, where I live, it has multiplied by 22 times over the same period. That's four times faster than wages.

Furthermore, our national housing dilemma extends to a lack of affordability and security provided to private renters, who are growing as a proportion of the housing market and are also experiencing rising levels of housing stress or rental stress. I trust the committee will seriously consider the needs and rights of renters and the aspirations of renters to buy a home of their own. After all, there are 2.6 million households and eight million people renting. That is 31 per cent of the population.

In conclusion, crises can bring out the best in nations. Australia's golden age of rising home ownership, after World War II, married the policy ambitions of John Curtin and Ben Chifley with those of Robert Menzies. Now is the time, we believe, for bold action by the Commonwealth, working with state and local governments and housing stakeholders. Housing is a nation-building project, and for too long we have been out of the nation-building housing game. It's time we got back in. I'm very happy to field questions from the committee on those themes and other matters.

CHAIR: Mr Weber, if you would like to give an opening statement, please feel free to do so.

Mr Weber: The Police Federation of Australia represents over 65,000 police officers around the country. You would see from our submission that housing is a huge issue for police officers. We want not only police officers but all emergency services workers to live close to their stations, to live close to the communities they work with. We all know there are police officers around the country that commute large distances just to get to work. This can be a critical issue when there's a disaster or a counterterrorism issue or if we need a surging of police. It's a massive issue with regard to tasking and deployment as well as shift deployment. Fatigue, stress, burnout, workload—all of those contribute.

One of the things that we would be looking for from this committee and the federal government would be similar fringe benefit tax benefits to those that paramedics and nurses have under benevolent society status, where you can salary package some of your mortgage to pay it off. In our submission, we highlight how that works with the ambulance service. We've been pushing that up for a long period of time, with all sides of government, and it will be in our pre-election submission, which we will submit to all members of parliament in the very near future.

CHAIR: Thank you all. My first question is: what impact do you think the lack of housing affordability is having on people who are seeking employment generally?

I will put that a different way. Do you think Australia's unemployment level is higher than it otherwise would be because of a lack of availability of housing where jobs are?

Mr Dwyer: I can make some preliminary comments on that. The members I represent, particularly those working in retail, are in the lower-paid sector of the workforce. There are two factors at work. One is the issue of wages failing to keep up with the rising cost of housing, which has been noted. In addition to that, a significant proportion of our members would like to work more hours. So they've got this low wage growth plus they want more hours and can't get them. That's one problem. The other problem we're now seeing emerging, particularly in the regional centres, is low wage rates, not getting the hours you want and growing rental prices meaning people aren't able to stay in the communities they are in and are having to look at leaving. That is having an impact in terms of workforce being available, and that housing issue is having a direct impact on that availability. And it's not just workers in retail. I note that the workers in hospitality are feeling that even more acutely than we are in the retail sector.

CHAIR: Would anyone else like to add to that answer?

Dr Dyrenfurth: Yes. In terms of the question you have posed, it cuts both ways. A lack of affordable housing, whether people are looking to buy their own home or rent, impacts on people's ability to find jobs which are located in proximity to their community. But it also cuts the other way. What we found in our research is that there are a staggering 600,000 Australians who are living in rental stress at the moment. Rental stress is defined as the bottom two income quintiles expending more than 30 per cent of their household income on rent or mortgage payments. Whether it is rental stress or mortgage stress, what we have found is that that puts pressure on people's ability to pay for the essentials of life—food, heating, transport, health care and education. Long-term research shows that it can damage people's physical and mental health, stunt their educational attainment and limit job opportunities. It can also lower workforce productivity. If people have to shift around constantly because they have to move house—the exercise of moving house or apartment is a costly exercise as well. It uproots individuals and families from communities. It means kids have to move schools. It means people need to be retrained. There are a whole lot of flow-on effects that affect people who have to move because of high house or rental prices.

I think it's important to make a macroeconomic point. Housing stress also poses threats to, and I think has impacted, a precariously placed economy. It hits disposable incomes. We want people out there spending money, particularly as we come out of this pandemic and it transitions to endemic. This is why we think housing stress and housing affordability has to be addressed as a matter of urgency if our economy is to quickly recover in the months and years ahead.

CHAIR: Could you take on notice any particular data you might have around unemployment that has been increased by this dislocation of workers from jobs, or jobs from workers, created by a lack of available housing.

Dr Dyrenfurth: Yes.

CHAIR: Thank you.

Ms OWENS: It's not good for anybody when a person has to move. It's not good for the business. It's not good for the community that loses its cohesion, its relationships. Have you started to see any evidence of businesses deciding to move into an area because there are workers there?

Are we starting to see businesses make choices based on where the workers are?

Mr Dwyer: In relation to retail, certainly some of the larger, national chains have small-shop formats, like in the fashion sector, but others have bigger footprints, as you know. They tend to go into areas based on both existing population and projected population growth. That is more of a medium- and long-term equation. I can't say that I have seen any of that at present.

Ms OWENS: In terms of police, nurses, teachers and firemen—you know what the work is, and they are stable, long-term jobs—credit unions, superannuation companies, well organised with unions—if we haven't found answers for that group of people, there must be some extraordinary barriers. If there's any group of people in the gap between a standard housing market and public housing, it's that group. What are the barriers to finding those answers?

Mr Weber: It's probably just availability of housing. We have had some programs, and you touch upon superannuation. Some of the industry funds have actually got together with police credit unions and police banks and looked at affordable housing. A lot of developers have also gone to local councils and said, for example, 'We want to build a 10-storey unit block, but we'll build a 14-storey unit block and we'll give four levels to essential workers at a discounted rate.' Therefore, they can build a building that's taller and they can sell the top units for more money, therefore increasing their profit but also giving something back to community. Again, it comes down to regulation, availability and the investment of funds.

To touch on the previous question from the chair: we haven't seen a decrease in our numbers or our recruitment, but it's actually where we can locate the police officers. In special remote areas or remote areas, it is extremely difficult to get people out there and availability of housing is extremely rare. On top of that, whether it be a nurse, a teacher or a police officer, once you embed them in the community, everyone knows where they live. There are security risks and added threats. On top of that, they never get a break from work. It's working 24/7. We haven't got the model right for policing or for a lot of emergency services workers, as you highlighted in your question, but we are starting to get there. One of those scenarios is the fringe benefit tax concession for emergency service workers. I think that needs to be across the board, especially for police, the same way nurses and ambulance have it. There is also that huge investment of funds. We can access the super funds and start to invest in really big infrastructure that makes communities out of all those essential workers.

Ms OWENS: There's an unusual circumstance for essential workers too: particularly in the young years of their career, they move. Owning a home near where you work now is not necessarily going to be where you need to be a little down the track. Is anywhere around the world looking at models that allow essential workers to have the security of [inaudible] but move?

Mr Weber: In some of the bigger areas such as [inaudible] there are police barracks where police officers can come and stay. There's a police cafeteria. It can accommodate 200 to 300 police officers. That is just because of the sheer cost of housing. It's funded by the City of London. We've looked at that model, but, again, it doesn't really work for Sydney. Geographically, we're too big. Our cities are really spread out compared to the City of London. Most police officers that work in the large metropolitan areas probably have commutes ranging from an hour to two hours back and forth. Those transient officers, especially when they're young and junior officers, are going for promotion and are going to experience other roles. They jump from place to place but they're also more willing to be transferred. It works pretty well for the police forces and also for the individual employer, so we don't see that as a risk or a problem; we actually see it as an advantage.

Ms OWENS: Thank you very much. Thanks, Jason.

CHAIR: Thank you. Terry, do you have any questions?

Mr YOUNG: I have a quick question. You have given us a few of the problems, which I think we all recognise. One of the things that has been bandied around by different people is—I was 35 years in retail, by the way, before I got into this place, so I understand the economics of retail. Unfortunately, the market dictates the wages, because if you start putting up wages, then businesses will just start laying people off because their margins are so tight these days in a competitive market. If wages go up, won't that simply mean that the people who are the landlords or the developers will raise their prices because they know that people are earning more? Isn't that going to be counterintuitive? That way, the people who need to be better off actually won't be; it will be the people who are the landlords or the developers who will be better off. What do you do about that?

Mr Dwyer: I don't agree with the first assumption. If you look to jurisdictions like the USA, where they have had a significant lift in their minimum wage in some jurisdictions, the economic benefit of that lift was actually greater business activity, and also in retail. We didn't see job losses. What we saw was greater economic activity.

I appreciate your point about the margins, but, as we all know, economics is complicated. Actually putting more money in the hands of workers, particularly of lower paid workers like retail workers, will actually generate more economic activity, and that actually is good for business. Those businesses in retail will actually see greater activity and hopefully bigger returns for their efforts in the space.

So, I can't say I agree with your premise. Because of that, I don't agree with your final point of doesn't that then just mean the gap keeps moving? I don't think that's the case at all. When you talk to those in the development space, what they're looking for are long-term returns, stable returns, and a small compression of a margin in the short term isn't as big an issue for them as the long-term return, both in the rent but also in the capital gain at the end of the process. Others might want to make comment, but they're my comments, Chair.

CHAIR: Would anyone else like to add to that? Terry, did you have any other questions?

Mr YOUNG: No, but I stand by my premise, and I think lower interest rates have proven it. They have basically given people more buying capacity; they can borrow more because the repayments are lower and they are paying less interest. That has been part of the problem with the surge in the housing market at the moment, so there's proof of what happens to the market. As soon as developers and landlords know that the interest rates are low and their borrowing capacity has increased, they put their prices up. It's as simple as that. That is just what the market does. I don't like it, but it's a reality.

CHAIR: I will take that as a comment; thank you, Terry. Ged?

Ms KEARNEY: Thanks very much, gentlemen, for your evidence here today, and for coming along. A lot of the discussion we've had on this committee is around the role of supply in the market, and the laws of economics no doubt say that if supply increased, then hopefully prices would go up. But we heard evidence from the assistant governor of the Reserve Bank of Australia Luci Ellis that said increasing supply in the housing market just means that the houses have been snapped up by people who can afford them—including investors—and that has actually gone counterintuitive to those laws of economics. It has actually driven prices up even further, and further away from low-income earners who can't afford them, and middle-income earners have really stretched their budgets, as you described here in your evidence today, and are experiencing mortgage stress et cetera. If what Luci Ellis, the assistant governor, is describing is true for Australia—that those laws of economics aren't really working with the housing market—and if, as you say in your submission, there are other issues driving the unaffordability—you mentioned things like favourable tax settings for speculators, tax regulation, land availability et cetera—would you like to expand on some of those other things that you think are driving the lack of affordability in housing and how a federal government might address them?

Mr Dwyer: Just at the outset, I might say that I guess what we tried to call out were some of the demand-side solutions to the problem that we're facing. I might ask Nick to make some detailed comments on those, because he has, I guess, the expertise in looking at the granular detail of these questions.

Dr Dyrenfurth: Thanks for the question, Ged. The question of the equivalence between demand and supply is a complex one, but I think that, generally speaking, we can say that supply isn't the critical issue here. The data shows that Australia's rate of housing production relative to housing stock is two per cent, and that's well above the OECD average. What we and most other experts have found is that what's really driving things is demand-side price inflation. We know that the share of investors with mortgages has risen from 10 per cent in 1990 to 40 per cent today. We know that, as you said, what's happening with the current surge in prices confounds what you'd expect to see. We have negative net migration, yet prices are surging. So it's quite clear that there is a lack of vendors, and there is a complex array of factors, in terms of people upsizing and people moving to regional areas, which Gerard spoke about.

One of the critical points that we make for policy makers to consider is things to avoid. We have tried to do similar things, particularly at a federal and Commonwealth level, for two decades now, and they have not worked. One is first home owners grants. They just speed up the process for people who are already intending to enter the market, and they are factored into the sale price. A similar point could be made in regard to suggestions that people should have unfettered access to their superannuation accounts over and above the voluntary contributions they can make under the relevant government scheme, which simply inflates the housing bubble further—it would be factored into the sale price—but would also be bad for individuals and families because people would reduce their superannuation balances, which have already been smashed by the COVID effects. We accept that people being able to access superannuation balances was a necessary evil, but it also reduced our national pool of savings.

So we think there really needs to be a holistic approach taken to this problem of demand and supply. That's why we're advocating for a national affordable housing agency and for the housing minister to be elevated to full cabinet status. It's why we think we should be looking beyond pure house prices in Sydney, Melbourne and other capital cities and housing stock. We should look at creative ways of providing working-class and middle-class Australians with affordable, decent housing, in proximity to their workplaces and communities, by looking at things like build to rent—which is taking off in places like New South Wales and, to a lesser extent, Victoria—and other, more recent initiatives, such as build to rent to own. A key element of both of those proposals is incorporating essential workers and lower-income families as a proportion of those developments. We also think that we should be leveraging the capacity of the community housing sector, in addition to boosting social housing—what some term the public housing sector. That bears on a discussion in the previous session about the social housing shortfall, which I think, at the last estimate that I saw, was around 450,000 nationally.

Ms KEARNEY: Thank you, Nick. Chair, that's all from me.

CHAIR: We've run out of time, but Matt, you may have a couple of questions you'd like to throw in.

Mr THISTLETHWAITE: I've got one for each union—first the SDA. Your submission is very comprehensive and there are some great suggestions there. I agree: I never understood why Australian landlords don't offer longer-term tenancies. On page 23 of your submission you recommend that there should be incentives for landlords to offer longer-term rentals. Can you elaborate on that, and what you're specifically talking about in terms of incentives that we could perhaps recommend to the government? And secondly, I have a question for you, Scott, on the tax deductibility of mortgage repayments for ambulance officers. Is that purely because of a mistake? And is it simply amending the tax act to provide DGR status for police officers that were rectified?

CHAIR: Sorry, Matt—could I clarify that? Are you suggesting DGR status for individuals?

Mr THISTLETHWAITE: Yes, that's what the submission said. That's why I'm asking the question to Scott. So, perhaps Scott could elaborate on that.

CHAIR: Sorry—I'm not aware of that happening.

Mr Dwyer: I'm not sure whether you want Scott or myself to go first now.

Mr THISTLETHWAITE: You go first.

Mr Dwyer: In terms of the long-term incentives, there's a range of incentives that can be built in, firstly at the front end, in terms of concessions around land tax, but all those costs at the front end are factored in. That's one component, the long-term incentives—trying to get in place greater security for the tenant, which is good both for them and for the landlord in terms of long-term returns. But we also call out that there's the space there for the Commonwealth rent assistance to be used I think more constructively. The other thing in this space in terms of long-term incentives is that we have seen in the superannuation sector, or pension funds as they are known overseas, that where you actually get the long-term incentives right, those institutional investors—be they industry funds, financial houses, banks or whatever—will move into this space. They can see that they've got a return, but it is long term. In that superannuation space, long-term investments are the key, because it's a long-term investment. They want to go into that space. Unfortunately, we know firsthand that there are a number of funds in Australia. Aussie super is called out in the submission as one that's gone into a space here with the development of the housing projects. But a number of others are actually taking Australian workers' dollars offshore and investing in affordable housing projects in other countries, because we don't have the settings right here. So, I guess it's an invitation to look at the settings to try to encourage a situation where workers here in Australia and their money, their capital, are used to make the housing affordability situation in this country better.

Mr THISTLETHWAITE: Thank you. Scott?

Mr Weber: Yes, that is correct: ambulance, nurses—and the Police Federation of Australia have been lobbying successive governments for over a decade in regard to getting the same salary packaging/sacrifice

(capped FBT) benefits that nurses and ambulance officers get. Back in 2004—it's on the second page of our submission—a special fringe benefits tax \$17,000 gross benefits exemption per employee, was provided to the ambulance service. That was because of an adverse court finding. There was a court matter where the Deputy Commissioner of Taxation took on the ambulance service and they had a pre-existing practice where they were allowed to salary sacrifice \$17,000 into their mortgage or other benefits. Again, the legislation was changed. That's why we're seeking that as well. I think we've seen over the past 18 months, especially with COVID, that policing is at the forefront, not only in regard to protecting the community from crime and natural disasters but also in regard to health. One of the overriding principles was benevolent society status, which the nurses and ambulance services fit into, and police apparently never did. It's worth saying, after the last 18 months, that policing are definitely at the forefront in regard to health, especially with social distancing. We've been at the coalface in dealing with that, and we can see this is a great benefit for our members across the country and also a great retention mechanism for keeping police officers—those highly trained officers—in the job as well.

Mr THISTLETHWAITE: Thank you.

CHAIR: Gentlemen, thank you for your appearance before us today. If you've been asked to provide additional information, please forward it to the secretariat by 24 November 2021. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors.

KEANE, Mr Colin, Director, Research4 Pty Ltd; and Property Research Expert, Housing All Australians Limited [by video link]

PRADOLIN, Mr Robert, Founder and Director, Housing All Australians Limited [by video link]

[16:05]

CHAIR: I now call representatives of Housing All Australians and Research4. This hearing is a legal proceeding of the parliament. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. It is important to note that, although your evidence is protected by parliamentary privilege, this protection cannot be enforced outside Australia. I now invite you to make an opening statement before we proceed to discussion.

Mr Pradolin: Thank you, Chair. Thank you for the opportunity to present to you today. I'll assume you have read our submission, and I'd like to set the context around why we are doing what we are doing. We are in a housing crisis, and it might not be that visible to the majority of Australians who have had their shelter needs met, but society is polarising, and COVID has made it much, much worse. Homelessness is increasing. Housing affordability issues are in the media constantly. Homes are becoming more unaffordable and our children are losing the hope that they, too, can aspire to homeownership. It is about creating more supply, both in terms of encouraging and facilitating homeownership and recognising that some people may never be able to afford a home and, therefore, need an affordable rental property.

Homelessness, in my view, is the canary in the coalmine to a much more significant issue in the housing continuum. We will never solve homelessness unless we solve the upstream supply of non-market housing. We must build more housing, otherwise the polarisation that I mentioned earlier will be exacerbated and our children, grandchildren and their descendants will have to manage both the social and significant economic issues due to the costs of the unintended consequences of homelessness and housing stress. If we cannot afford the cost of managing these unintended consequences in the future, then our Australian values will be watered down. If that is allowed to continue, Australia will be a very, very different country and an increasingly unsafe country 30 years from now. We are on a lose-lose trajectory.

Housing All Australians is a private sector initiative that is viewing housing and homelessness through a commercial lens. Given the scale of the problem, it is unfair to expect governments to solve it alone. The recently completed review of the National Housing Finance and Investment Corporation undertaken by Chris Leptos AM states that the shortfall in non-market housing has been quantified at \$290 billion. This investment is too big for government to address alone. It must engage private sector capital. That is why Housing All Australians are repositioning this discussion not as housing but as fundamental economic infrastructure for a future Australia. Housing All Australians are politically agnostic and our objective is to educate the Australian public and business about what they don't know about housing and homelessness and create what I'm terming 'respectful unrest' because, without respectful unrest, there will never be the political self-interest on both sides of politics to effect the long-term policy changes that our country needs. For example—and I heard it mentioned before—the Australian public doesn't know that our super funds have billions invested in housing Americans and, effectively, nothing in Australia. It's not their fault; it's the financial system. It's house prices, tax settings—a whole range of factors in the ecosystem. Another example I heard mentioned before was that women over 55 years of age are the fastest growing cohort of homeless in this country. As a man, I was actually embarrassed when I learned that.

In a short period of time, Housing All Australian has gathered significant momentum in the private sector and is now established in every state and territory except the Northern Territory—and that's only because I haven't got up there yet—with like-minded private sector individuals and organisations wanting to help vulnerable Australians. Everybody is talking about the homelessness we see in the streets of our towns and cities, and we must do something. Doing nothing is not an option. One of the initiatives we are implementing across Australia is using existing buildings that are sitting empty as a short-term solution to provide a roof over someone's head. It just makes common sense. We've also developed an affordable housing rental model and a shared equity model around the private sector driving this segment of housing need. We need innovative models that start thinking outside the square because, if you don't think outside the square, you will get the same answers.

However, we're here today to talk about demand and supply and how it works in the marketplace. As a former property sector executive, I've spent my entire career in this industry and I believe I've got a reasonable understanding of how the market works. With me today is Colin Keane, Director of Research4 and an expert in demand and supply in the development of greenfield housing estates across Australia. Colin has an in-depth knowledge of this area and I requested him to specifically prepare the paper which was submitted as an attempt to

explain how demand and supply actually works in the practical sense so that there's a better understanding of development, which, hopefully, will lead to a more informed discussion and practical solutions. Over my many years in the industry and in my discussions with elected officials from federal, state and local government and their respective bureaucracies, I've not come across anyone that truly understands the implications of their decisions on housing affordability and how this has impacted on housing prices.

My hope is that this inquiry could be the conversation starter that this country needs for a national discussion around Housing All Australians as a new economic platform for a future Australia. We need true leadership to address this challenge, and I hope this inquiry is the start of that process. Thank you, and I will open it up to questions, unless Colin wants to say a few words.

CHAIR: That's my job, Robert! Thank you. Colin, do you have anything?

Mr Keane: From my perspective, general housing affordability can be greatly improved by the better management of planning for supply. The management of strategic housing supply is not currently meeting its core objective. The core objective of any city's housing supply is to respond to demand in a timely fashion and to provide affordable housing options. There is a simple reason for this failure in managing strategic supply, and it's that the focus of that management is on average housing demand and average land supply. There is no recognition of the impact that demand spikes or a shock in demand have on housing affordability. So the headline take-out on housing affordability in the general supply sector is that housing affordability is lost during periods of peak demand—not average demand—yet our strategic planners are always looking at the average numbers, not the peak numbers. We can present a few slides, if you request it, to highlight that case in point.

CHAIR: Thank you very much, Colin and Robert. In your view, what do you think is the most important thing that we could do at any level of government to improve both the availability and affordability of housing?

Mr Pradolín: From my perspective, we just need a national co-ordinated approach—and I heard it mentioned by some of the previous submitters as a national housing strategy—because unless we can house our workers and our people we're heading for the lose-lose scenario I mentioned earlier. When individuals have their primal needs met, they're more likely to become productive members of society rather than welfare dependents. To be quite blunt, as taxpayers we expect governments to work collaboratively to minimise the cost of the taxpaying burden and to make sure that taxes are spent effectively, whether they be federal, state or local. No-one's going to spend money at a local level to help a federal government and vice versa. We need a co-ordinated approach, in my view.

CHAIR: Okay. Julie, would you like to ask any questions?

Ms OWENS: Thank you. You said in your submission that, basically, you don't think the various levels of government understand supply and demand. I have to agree with you, actually, but I'd like you to explain what you mean by that and what you think we've missed.

Mr Pradolín: Colin, do you want to have a crack at that?

Mr Keane: Is it permissible to show some slides to demonstrate that point?

Ms OWENS: Yes.

Slides were then shown—

Mr Keane: I'm just going to use a simple example, and it's the Melbourne greenfield land market. I'm going to use that as an example of how state planning and generally most planners around the country get it wrong. It's very simple to get it right, which I hopefully will demonstrate. The main difference between getting it right and getting it wrong is a focus on the average housing demand versus a focus on the potential peak housing demand. It's during those moments of peak demand that affordability is lost, and I'll demonstrate that.

This slide shows what the Victorian government uses to work out how much land supply it needs, the average monthly housing demand, for Melbourne's outer ring. They use that orange line—and it's about 1,200 houses per month—to work out how much land they physically need around Melbourne. The way the strategic planning bodies in the country work is that they generally work to this guiding principle. They need 15 years of supply, so they need land supply to deal with 15 years of average demand. They set up their whole playing field based on that number, that average demand number. Melbourne have done the same thing, and they've been very successful at doing that. They think they are addressing or preventing housing unaffordability by having 15 years of zoned supply, but the market reality is completely different to that average. The blue line is what actually happened, and the orange line is what the state government used for planning. You can see where activity boom periods exceed average periods. You might think, 'So what?' But it's during those three periods that housing affordability was lost in Melbourne, not during any other period. The grey bars represent the rate of price growth per quarter during

those periods. In other words, when Melbourne comes under pressure, it's strategic-supply response, which is built on averages, cannot respond to any pressure. The result of that unmet pressure is a 400 per cent increase in price growth in land and houses. This is a real assessment.

A peak period of demand lasts 18 months, generally, every three years. It's driven by government stimulus, population changes or a crisis such as COVID. Over that 18-month period, the average family will have to spend an extra \$50,000 because state planning has not planned for peak production. They have planned for average. About 36,000 people would have bought a house in Melbourne over that 18-month period, costing in total \$1.8 billion in extra debt, deposits, government grants—whatever you want. They have to find that money. That didn't have to happen. There are examples in other markets where they have the strategic supply exceed peak demand. So, the simple solution, if you can be so bold, to solving a large percentage of the general population's housing affordability issue is getting state strategic plans to focus on peak demand, being able to respond to those periods every three years where demand will spike, as opposed to that orange line—not average demand. With that in mind, you can actually mitigate a lot of that upward pressure on land prices. I can provide you example around the country after example.

In terms of a policy setting or government solution, it all comes down to monitoring and being aware of the changing production capacity of land developers and actually being able to understand that if you stimulate demand by X by first home buyer grant or by a builder grant then you're going to cause demand to spike. Then, if that state government doesn't have the capacity, you're going to have an affordability issue. That, hopefully, will give you an example—

Ms OWENS: Thank you very much.

Mr YOUNG: Thank you for that presentation. It was very informative, very good. Thank you.

Mr THISTLETHWAITE: Robert, you mentioned earlier Australian superannuation funds investing internationally in housing. What do you believe needs to change in Australia to make housing investment in Australia much more attractive, particularly at that affordable level, and also in the context of the trustees of superannuation funds being legally obligated to act in the best interests of the beneficiaries, the members, in terms of returns on their investments?

Mr Pradolin: That's the issue. I've spoken to all the super funds, all the majors, and they all want to invest in housing in Australia, but they are not charities. They're obligated. I spoke to Gary Weaven when he was still at that level, and they're obligated to maximise the return for their members, and I can fully understand that. America, Canada and the UK all offer different housing systems that allow them to get a reasonable return for risk. In Australia, it is just uneconomical to achieve that.

I heard build-to-rent mentioned earlier. Let's be very clear: build-to-rent is about \$700 to \$800 a week; it is not affordable housing. As a taxpayer, if we are to give tax concessions in terms of land tax et cetera, which I would support, it must get a public outcome in terms of providing affordable housing, otherwise you are just allowing the rental market to drop a bit but still you do not hit the affordability level. In America, it's actually obligated; there's a bit of a Fannie-Mae-Freddie-Mac have to deliver that, but there are housing tax credits in America to top up that difference, because they've recognised housing as key infrastructure. In fact, one of my little watershed moments was when a private sector financier from New York came over and spoke to Melbourne University, which I was involved with, and he said, 'We see affordable housing as key infrastructure for New York, where the essential services live close to where they serve society.' When you think of it from that perspective, that objective makes sense.

Mr THISTLETHWAITE: I agree with you on that. It makes so much sense, doesn't it? There's so much private sector capital here in Australia that's not being utilised to provide affordable housing when it could be. I think that that says we've got the policy settings wrong; if that capital is flying overseas because they get more favourable treatment and they get better returns.

Mr Pradolin: I said earlier, we're about educating the Australian public about what they don't know about housing and homelessness, and 99 per cent of the people that I speak to are not aware that our funds are flowing overseas. We have to change the settings. It's not one level of government; it's everyone. It's the ecosystem. The private sector must play its part, because the issue is too big for government alone to manage. The capital required is significant.

Mr THISTLETHWAITE: Perhaps, on notice, you can provide the committee with your ideal system for superannuation funds that would encourage them to invest in affordable housing in Australia, and what you define as affordable housing, along with any changes you would suggest to our taxation system. The more detail, the better.

Mr Pradolin: I will take that on notice. I'm very conscious that we don't want to be political; we want to expose this issue so that both sides of politics will manage it differently. But we have to accept we have a problem and we have to then bipartisanly accept that problem and then let democracy take its course.

Mr THISTLETHWAITE: That's it from me. Thank you.

CHAIR: One thing occurs to me, and you're not the first people I've asked this. We have all this money in the super funds, and we're now going to ask the super funds, who got their money from Australians, to buy houses for Australians. Why don't we just leave the money with ordinary Australians, working Australians, so they can buy their own home without having to go through superannuation funds?

Mr Pradolin: It sounds like a statement rather than a question. There are myriad ways to do it. Homeownership is the way Australia was formed. Being the son of an immigrant, that's how my parents grew up. We've all been indoctrinated with that. We have to encourage homeownership. But the challenge for all politicians is that no-one's going to get re-elected by saying, 'I'm going to keep your house prices static while incomes grow and that income-to-house-price ratio changes.' It is really something that is very challenging. But homeownership is something we should all aspire to, and we have to change the settings across the country and expect it will take 40-plus years to get it back to a system. These things will not change overnight. It has to be a bipartisan policy setting, with a long-term objective for the outcome. The last thing I want to do when I leave this planet is leave it in a worse state for my children, grandchildren and their descendants than what it is today. I think that obligation is on all of us to deliver. I thank you, Chair, for running this inquiry and actually having this conversation, because I think it's extremely vital to our prosperity in the future.

CHAIR: Well, I think that's a great note to leave it on. Thank you, Robert. I thank you for your participation today. If you've been asked to provide any additional information, could you please forward it to the secretariat by 24 November 2021. You will be sent a copy of the transcript of your evidence and will have an opportunity to request corrections to transcription errors. I'd like to thank members and witnesses for their time today and declare this public hearing closed. Thank you, everyone.

Committee adjourned at 16:27