

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON HOUSING AFFORDABILITY IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON TUESDAY 25 SEPTEMBER 2007.**

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**Ms MARY MASSINA AND Mr ROBERT ROCKEFELLER**, PROPERTY COUNCIL OF AUSTRALIA - TASMANIAN DIVISION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Martin) - Welcome to the hearings.

If you would do a 10 to 15 minute overview then we will go through the report and ask questions.

**Ms MASSINA** - I would like to introduce the Property Council of Australia to those who are unaware of who we are.

The Property Council comprises leading developers, financiers, owners and managers of investment property across Australia and nationally our members currently own more than \$300 billion worth of domestic assets. The Property Council has divisions in each of the States and Territories. Robert Rockefeller is President of the Tasmanian Division of the Property Council and I am Executive Director.

Can we say firstly we welcome the opportunity to come and address this select committee. This is an issue that has been conversation amongst 55 of our member companies and it is certainly an issue that is gaining precedence and political mileage on a public level, which is good to see. As you can see from our submission, we see affordable housing as opportunities waiting to happen.

If I can just quickly take you through our recommendations - we have actually split the recommendations in speaking to that between Robert and myself. In essence I suppose from a big picture perspective, a holistic statewide policy perspective, we see a number of key elements such as demographic change and how that impacts upon how we as a State and community address some of the challenges and barriers that are coming forward. In particular I suppose education is a particular interest of the council and particularly my president. We would probably raise a question over the focus at the moment, which is really on the baby boomers. It is not that I wish to show any disrespect to baby boomers but there is probably a need to look at the under 15-year-olds as well as being that important capsule of how a community is going to look, and it needs focus.

That leads me into the Property Council calling for a State housing policy and infrastructure plan. I suppose if you look at our recommendations they all lead to calling for a statewide housing policy that sets priorities for affordable housing and social housing. It wraps up the issues around development, taxes, strategic metropolitan planning for the community and the need for a strategic infrastructure plan that actually has a vision of where services are required across the State.

I suppose that brings us down into some of the specific recommendations around the issue of affordability. I suppose that comes back down to that economic equation of

supply and demand. We have increasing demand and a shortage of supply. As a council we actually sat down and asked how do we address the issue of supply. Some of these are within the Government's mandate. We were out on Sunday saying the State Government holds the key to some of these issues. One is the cost of land. We have seen the increase of land cost and added to that we question the release of land which is not connected to services like infrastructure services - water and sewerage - because that obviously increases costs so we called in one of the recommendations for government, both State and local, to ensure that there is adequate land supply to meet demand.

Development processes: the Property Council has been very clear in its call for planning reform not only for the benefit obviously of our members but for the benefit of the community to provide consistency across the 29 councils. We have been calling for an expert panel to make development assessment decisions along the lines of the development assessment forum.

We have also been asking for a review of State taxes. If you look - and we have highlighted this in our submission - over the last decade, the State Government has earned something like \$2.4 billion in property taxes and we would question how much of that has actually gone back into supporting the property industry both at a public and private level. We are now one of the highest land taxing States in Australia and ultimately that ends up being a tax on shelter because it will get passed on through rent. There are a number of States that are going ahead and doing different things in terms of property taxes - for example, New South Wales has been looking at abolishing stamp duty on new dwellings - so if we are looking at increasing supply then we need to look at the spiralling property taxes. Those are the things that are within the Government's hands.

Then there are other things, such as the bricks and mortar. The cost of building materials has increased, particularly over the last five years. It has been increasing higher than the inflation rate. If you look at copper, steel, wood et cetera they have all increased and that increases the cost of building a house.

So in terms of recommendations 3, 4 and 5, land supply, development assessment and property taxes, they have certainly stoked the Government to effect some change. Buildings costs are obviously something outside the Government's ability to deal with, but it does mean that the cost of land development and infrastructure increases the cost on new land and new dwellings. That has a flow-on effect on existing properties, because at the end of the day we all benefit from that because the value of our property increases and we all want to feel a bit wealthier, but it does present an interesting conundrum for governments.

**Mr ROCKEFELLER** - Just taking that point, if you increase the cost for a new house you increase the value of the existing stock. So to put it into perspective, if to build a new block local government and State government charges \$50 000 for those services, it not only puts up the price of the new house but also causes inflation of all the existing house prices because it means that to replace that old house it will cost you an extra \$50 000.

So when there are arguments put forward concerning market manipulation, if for example when you build four new houses you have to make one affordable, it not only makes the other three more expensive because there is a subsidy, but also makes the

existing houses more expensive. It creates inflation, because that is worth more because you do not have an obligation attached to it. Sometimes people forget that. So if you are in market manipulation you have to, in our opinion, figure out how you create value without necessarily increasing the value of existing stock, because most of the people live in the existing stock. We only build to 2 500 homes a year in Tasmania in a good year, so you have to think about density bonuses for example, where if you create more density you get a bonus or a smaller block so effectively you can cut it up. That obviously has consequences with people's neighbourhoods and those things, but you are then increasing the stock and adding value and hopefully lowering the cost of the output. This problem is not that difficult.

There is a reason government is in housing. It is because they have to support it and make a financial commitment to it, because the private sector cannot do it unless they are getting a subsidy. There is a reason the private sector is not going to be there. What we have seen is this massive cost shifting going on.

The Federal Government has been doing their bit. You just have to look at how much their increase in private rental assistance has been. You could argue it may be ill-founded. They are spending all this money, yet are they solving the problem?

But the State Government is reducing their involvement in the industry. In 1996 there were 14 000 homes in this State, social homes, and it was on their balance sheet at \$840 million. It valued every house at an average price of \$60 000. They sold off 2 500; simplistically \$140 million to \$150 million into their coffers. Those 11 500 homes in 1996 dollars was worth \$700 million. Today it is worth \$1.5 billion. The State Government has made more money out of housing than any other business. They are actually in the housing business. To the general public it is perceived as a liability, it is actually the major asset of the State government - bigger than Hydro, bigger than Aurora, bigger than anything else. They have made \$800 million. Forget about where they have actually spent the \$140 million.

They have made it on the capital side. In addition to that, on the income side, stamp duty and land tax was worth \$155 million a year in 1996 and today they are raking in \$300 million. So they have actually made it on the income side too. Where have they put the money? It is an asset. If the Government says that it is not an asset but a liability I am sure all of us around the table would be happy to take it off their hands. In addition they could sell off the \$1.5 billion, because those houses will still stay affordable. Just think what you could do with \$1.5 billion to build houses in this State. But I guarantee you that if they sold them off they would not put it into housing, it would disappear somewhere else. So it is a really simple problem. There is not a commitment towards it and it is not perceived as an asset.

Then you have to ask how do you lift productivity in this State, how you lift retention rates, how do you lift educational standards and how do you deal with demographic change. All the low-hanging fruit is in the areas we actually have an enormous amount of State housing. What you find is that there is not actually an investment in those areas. There is not an investment in education, in services or in playgrounds. But if you ended up spending money in those areas with some of the profits you would get fantastic outcomes.

**CHAIR** - What we might do is go through recommendation by recommendation. We will start with recommendation 1. I have a simple question. When you say metropolitan planning, are you talking about regional planning or are you talking about a plan for the entire metropolitan -

**Ms MASSINA** - We are talking about a plan for greater Hobart, for example, so it is a bit like the Sydney metropolitan plan and the Melbourne metropolitan plan. It is to talk about where are the growth areas, where are the investment areas, where you put in housing, for example, and education. It is connecting your growth corridors with infrastructure and investment.

**Mrs SMITH** - Can you tell us what the Property Council's policy is on inner city, low-cost social housing? We have had some issues in and around the city areas.

**Ms MASSINA** - Walford Terrace?

**Mrs SMITH** - Yes.

**Ms MASSINA** - What would our views be on that?

**Mrs SMITH** - Do you have a policy as the Property Council on low-cost social housing in that inner city area?

**Mr ROCKEFELLER** - I think that is a fantastic idea. As all of you know - otherwise you would not be on this committee - these people need a tremendous amount of services and you need to locate them near the services, because otherwise they will be more and more marginalised. It is about investing for the future to actually lower your operating costs. Unfortunately governments at times really struggle with investing for the future, but affordable housing in inner city areas is critical if you want to improve long-term outcomes.

**Ms MASSINA** - One of our questions with the talk of the release of the \$10 million worth of crown land is whereabouts is that crown land for affordable housing? We do not want to see people pushed out to the fringes of the community. We need to basically be in the position of growing our own, which is making sure that everybody is connected to the community and everybody has a chance of climbing that ladder.

**Mr ROCKEFELLER** - Affordable housing might be expensive housing. What you are actually doing is deferring the long-term cost by having them located near services et cetera. So affordable housing is one issue. In terms of how we classify into more social sort of housing, it is more of an investment.

**CHAIR** - Do you think inner city housing is attractive in the marketplace for owners without government assistance in the current conditions?

**Mr ROCKEFELLER** - I think it is impossible to do. If what you are saying is \$200 000 to \$250 000 a home or something under that, I think it is impossible.

**CHAIR** - So what has to happen to get inner-city residential development?

**Mr ROCKEFELLER** - There would have to be either large density bonuses to achieve that or effectively government releasing land at low cost. So there needs to be a subsidy. The initiatives probably by the State Government is why do people want to be in affordable housing in the private sector when there are so many other opportunities out there. In fact, why do they actually want to be bottom-fishing? Why does a developer, builder, whatever want to be bottom-fishing when there are so many opportunities at the top, at the surface? We do not have to work that hard.

**CHAIR** - You are saying the private sector are not likely to support the Affordable Housing Scheme?

**Mr ROCKEFELLER** - No. Why would you want to lock up your rental property to the Affordable Housing Trust for five or 10 years? What you have done is you have reduced the value of your property because if you wanted to sell it after a year or two years you only have an investor you can sell it to. The significant component of the market, which is owner/occupiers, you have lost out on, unless you are going to have significant rental above market to add value. Two per cent over five years is only 10 or 12 per cent. It is not significant, in my opinion.

**Mrs SMITH** - So if we accept that affordable housing or public housing is an option - and I accept your argument; all the facilities are inner city so you do not have to worry about transport, good quality, fresh food et cetera - if we accept the concept that a State government has a site, is prepared to subsidise the building to bring low-cost affordable housing into the inner city, how do we then adjust the planning system that we have seen on several occasions, close down scenarios very similar to that; a vote around the table that says the residents do not want this low-cost housing near them? That is as plain as I can put it, I suppose.

**Ms MASSINA** - Not in my backyard.

**Mrs SMITH** - The nimby syndrome we called it in my days in local government. Do you want to make a comment on that as the Property Council?

**Mr ROCKEFELLER** - I think you just have to work with councils to develop the argument and be understanding. It is just as simple as that. The problem is that Housing Tasmania is not treated as a business and there has been a huge number of opportunities for them. They have not necessarily slipped through their hands but a private person can go to the market and say they are going to buy a certain property. They can go to the auction and pay that little bit more. Housing Tasmania, with all the processes attached to actually buy a property, is so restrictive that the opportunity has been and gone. On affordable housing I know a site in Hobart. It is 4 500 square metres, it would be absolutely ideal, but by the time it gets around to them -

**Ms FORREST** - It has already been sold.

**Mr ROCKEFELLER** - Yes, or the construction has started on it, so the problem is they are not set up as a business to get things done.

**Mrs SMITH** - So if we take an extension of that, would you support a concept that saw Housing Tasmania put into a government business enterprise in the same way as the Hydro, Aurora, Metro?

**Mr ROCKEFELLER** - I will tell you what would end up happening. I will say right now you have a \$250 million debt to the Federal Government which will make the debt \$800 million and they will go and rip \$550 million out of it. That is what would end up happening. That is the way they do business.

**Ms FORREST** - So if a debt could be retired or wiped out, put somewhere else, would that change that?

**Mr ROCKEFELLER** - No, right now their debt is theoretically \$250 million, which is to the Federal Government. If they set up a GBE, theoretically you have \$1.5 billion worth of assets, you have \$250 million worth of debt. If it was transferred to a GBE, overnight government would say here is \$800 million worth of debt now. So they will increase the debt by \$550 million.

**Mrs SMITH** - No, not necessarily. Forestry was transferred to a corporation and the State retained the debt, so put it in that scenario and tell me -

**Mr ROCKEFELLER** - Then they will say we want a dividend from it. Okay? They don't get a dividend today.

**CHAIR** - There are bits that are selling.

**Mr ROCKEFELLER** - They will do everything to quarantine and to tie their arms, tie their hands from doing anything. They won't let them go and borrow money. How many businesses have a debt equity ratio of 15 per cent? Let us face it, the Federal Government should give up the loan. They are paying all this extra money in rental assistance. The assets value in just 10 years has gone from \$800 million to \$1.5 billion. Why forgive a loan when you have provided the house? If I was the Federal Government, whoever they are - Labor or Liberal - I would ask for the houses back. It is only \$20 million of loans a year. If they want to go and sell off \$250 million worth of houses to repay the loan it's fine. It is a way to deflect responsibility.

GBE is an option but what I am trying to say is that then they have to be allowed to deal like a business, they need to be able to raise money -

**CHAIR** - They are not going to be allowed to do that, though. There is no point in doing that.

**Mr ROCKEFELLER** - That is exactly right.

So if they are not given a free hand to be able to deal then I think a GBE is dangerous.

**Mrs SMITH** - But the Government Business Enterprises Act allows that free hand, that is why, whether we like the debt of the Hydro or we don't, they run as a business and the minister has a wonderful time saying, 'Don't complain to me about the power bill

because I have no control. It is in a private business concept. We just happen to own it'. Why do you see that housing would fail under the same rules?

**Mr ROCKEFELLER** - Because they will ask for a dividend and once you ask for a dividend, which is what happens with Hydro and Aurora, they end up ripping money out. They say, 'I want a \$100 million dividend' and so Housing will have to go and get a debt of \$100 million and pay it to the Government. So that is how they work the system.

**Ms FORREST** - If it is run like a well-operated business wouldn't you expect to get a profit from your properties? You talk about the asset rather than the liability and you would think that it could be run in a way that would draw a profit so wouldn't that be where the dividend would come from?

**Mr ROCKEFELLER** - They treat it as a liability today.

**Ms FORREST** - That is what I am saying.

**Mr ROCKEFELLER** - They should be allowed to be providing housing to people. To think that they have a deferred maintenance bill of \$80 million and they do not spend a dime is a disgrace because any normal person would spend \$80 million and their houses now are worth at least \$1.58 billion. Right? So what it shows is a lack of desire to invest in their own assets and that is the fundamental problem. It is all about providing public housing but it is more than that, it is providing better outcomes to the people living within these things. They have the capacity to go and spend a billion dollars. Just think, that means their assets will be worth \$2.5 billion and their liabilities are \$1.2 billion. They will have a debt to equity ratio of 50 per cent.

**CHAIR** - Can I just say the chairman has a predicament. I would love to keep pursuing this line because I am really interested in it, but we have a closing off time and there are four other recommendations I would like to pursue as well so I am not quite sure what to do.

**Mr HARRISS** - I think, Mr Chairman, we should try to schedule some time that is convenient to Robert and Mary and continue -

**CHAIR** - To come back.

**Ms MASSINA** - I am more than happy to do that.

**Mr HARRISS** - I think this discussion would go on for at least another hour and there is a whole heap of things. Mr Chairman, there are matters related to the social obligations of a government versus addressing the notion of housing affordability. I see them as two separate issues and I think you do as well. I think there is a lot more we could visit with Robert and Mary.

**CHAIR** - Some of the other recommendations I am quite interested in too and would like to pursue further. Would it be possible to schedule another time?

**Ms MASSINA** - Yes, certainly.

**Mr HARRISS** - We underestimated.

**Ms MASSINA** - I suppose we could have done really quick talking.

**CHAIR** - Sorry about the shortness, but we really would like to get you back again.

**Ms MASSINA** - Can I just leave these fabulous coloured printed copies?

**Mrs SMITH** - Can you put your head around corporations and GBEs, and relate it to Metro, subsidised transport with government putting the money in and someone running it as a business. Metro do not pay a dividend. Think about it for the next time.

**Mrs RATTRAY-WAGNER** - Others plead their case at the end of each year if they cannot supply a dividend.

**Ms FORREST** - I would be interested in hearing if you think there is a business model that would work that meets the social obligation of government but in a business that would work.

**Mr ROCKEFELLER** - It is a no-brainer, it is an absolute no-brainer.

**Ms FORREST**- Well, hit a no-brainer.

**Mr ROCKEFELLER** - If you can quarantine the business, whereby you do not have to pay dividends and they can borrow money, you have solved the problem there.

**Ms FORREST**- So it can be done, that is what you are saying.

**Mr ROCKEFELLER** - It is no different to how we run our business. We do not pay any dividends.

**Mrs RATTRAY-WAGNER** - My husband would disagree.

**THE WITNESSES WITHDREW.**



**ELIZABETH GILLAM**, LOCAL GOVERNMENT ASSOCIATION OF TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Martin) - Welcome to the hearing. We all have copies of your submission and have read it. I would like to give a brief overview and then we will go through it and ask questions.

**Ms GILLAM** - There is one thing I should probably say at the start. I was involved as the Local Government Association representative on the affordable housing group when they were doing their work when the strategy was first launched.

**CHAIR** - The Jim Bacon -

**Ms GILLAM** - Yes, and we have not been involved in that in any way since about December 2000 when they talked about launching TAHL. I should declare an interest in TAHL because my husband is the CEO, and I sat there wondering whether we had a future after listening to what Robert was saying. I have to be careful what I say about what the Government is doing in that area.

**CHAIR** - We will not ask you about TAHL.

**Ms GILLAM** - I suppose our opening gambit is that whilst we see local government as having a role in trying to address the issues of housing affordability, we see our role as fairly marginal. Local government itself has got some fairly serious affordability issues that it is trying to deal with at the moment. Many of those relate to infrastructure development, maintenance and replacement. Do I need to expand on that? Are you aware of what I am talking about in that area?

**CHAIR** - We would all be pretty aware of it.

**Ms GILLAM** - I have given a great deal of thought to this area, since way back when we started working on the affordability strategy. Since that started another three years ago has gone by and I really despair that we are trying to shut the door after the horse has bolted. So much of this whole issue has been market driven. I was living in the early 1990s and it was a feeding frenzy of a real estate boom and nobody talked about anything else. It was the get-rich-quick scheme and people were just buying property in a frenzy. That is all it was. I think that has happened to a certain extent here too. I think we have now seen the repercussions of that.

Now that the interest rate is starting to rise that is beginning to cause issues even for investors, let alone people who have gone out and purchased by themselves. It also had a huge impact on the price of real estate. I think one thing that we have to keep in mind through all this is that maybe a lot of the cost of the real estate market is still speculative. We really do not know how sound that is. If the whole thing starts collapsing, what is the true value of all these properties that people now own? In addressing some of the affordability issues I think we might actually exacerbate future problems. I have gone off the track here a bit.

Regarding local government and the issues that they face in terms of sustainability, these are being tackled on a national basis. You would also be aware of the national approach

to Federal Government and also to opposition parties about greater reliability of funding to local government. Do I need to expand on that at all? Rather than being fully reliant on rates income and grants expenditure it has been mooted that local government be afforded a fixed percentage of the Federal income tax take.

**CHAIR** - Is it likely to go anywhere?

**Ms GILLAM** - I do not know.

**CHAIR** - Local government has been talking about it for a long time.

**Ms GILLAM** - I think there is probably a greater willingness to listen now. I personally feel that that is a far better approach than the grants system, which has created a lot of the problems we are now facing.

**CHAIR** - I agree.

**Ms GILLAM** - Through this affordability debate there has been a lot of discussion about national infrastructure funds and the ALGA has come out supporting the Federal Government's web site, where people are logging on and putting their infrastructure plans and things on. I personally feel that that might again be exacerbating the problem. I know we have infrastructure funding issues but this sort of ad hoc, one-off funding never is going to solve the problem.

Locally the ways that local government is trying to address its funding issues is looking at its rating base and increased user charges. Now that is very topical in this debate because there is a lot of resistance to councils charging developer charges on land developments.

I think the first thing we have to realise is that Tasmania is quite a marginal issue. There are still councils in Tasmania that are not charging any developer charges.

**CHAIR** - It is something that has been raised in the submissions by all of the property groups.

**Ms GILLAM** - I know, and I question - I think there is an awful lot of Australia-wide picture coming into this debate and I think we need to pull it back to Tasmania for the purposes of your inquiry.

**CHAIR** - Do you have any research or studies which show what aggregate the 29 councils are doing?

**Ms GILLAM** - Not the 29, no. We did make an attempt to collect that but if that is something that you would like in a more structured way we could probably seek it.

**CHAIR** - I think, speaking personally, it would be very useful because it is certainly something that the development sector is saying is a major impediment to the cost of houses.

**Mrs SMITH** - The development set tend to be city-centric too in their submissions.

**CHAIR** - There are some claims that it is adding \$50 000, for example, to the cost of a block of land, but that is not my experience from local government

**Ms GILLAM** - I am trying to find the little chart that I did have.

There are 15 councils here and of those 15, five were charging some form of developer charges.

In Tasmania we are talking about water, sewerage connections, local roads and lighting. Interstate they are talking about headworks charges, which is connecting those house connections to the bigger pipes and to the dams and to the sewage treatment plants, it is about the playgrounds, it is about community halls. We have not even started thinking about that sort of stuff here.

**CHAIR** - Are there no councils doing that in Tasmania?

**Ms GILLAM** - I think one council has just started looking at a much more formal system of headworks charging.

When I worked in the Local Government Office in the early 1990s we were talking about headworks charges back then. The fact that it has not ever been tackled and settled in a proper structured way is very unfortunate because now councils are beginning to realise it really has to start happening, that they just cannot go on the way they were funding their infrastructure, and it has hit at a particularly bad time.

**CHAIR** - This is a significant issue we need to tackle so it would be really useful if we could get any information you had that showed what is the situation in Tasmania amongst the different councils.

**Mrs SMITH** - And there are two streams - development and headworks; they are two different things. It sounds as if there is only one council in the headworks -

**Ms GILLAM** - They haven't even started yet, they are just looking at development properties.

It is interesting to point out that one council that has had development charges in place now for about 10 years is Brighton. They probably have about the most affordable housing in the State.

I think it has to be accepted that it is a reality. Those of you who have worked in local government know the issues of subdivisions starting up that were not properly serviced. I lived in one. After we had been in there five years all the neighbours got together and said they were going to demand water from the council. Our council was very clever; they said, 'You pay to put in the scheme and we will take it over', which is what people did. In the last 15 to 20 years the expectations of the community regarding what they want for infrastructure and also the environmental expectations for infrastructure have increased enormously. This concept that it can be just spread out over the whole council budget just is not going to work anymore. People want more transparency about how

things are being funded and I think it is going to become a reality. If it is adding these extraordinary amounts to the cost of land maybe we have to say, so be it.

**CHAIR** - I think the difficulty is that we really do not have a handle on what the situation is so it is very difficult to predict the future when we do not know what the present is. How long would it take you to get that sort of information?

**Ms GILLAM** - We actually have a meeting of general managers this week so I think I could raise it in the context of this hearing. I think a number of councils made submissions.

**CHAIR** - Three.

**Ms GILLAM** - Is that all? Okay. I did seek certain information from councils and as is their habit it was not all that forthcoming but I am aware of some of these issues to do with development charges and we would strongly question those claims being made on the part of the development industries.

**Mrs SMITH**- That is why it is probably important you should reiterate to the general managers that they do provide the information. It will be too late in six months' time for some recommendation that could put a cost impost on individual councils that ought to be being put onto individual subdivisions for them to say, 'We should have' so I think you could add some leverage to your request.

**Mrs RATTRAY-WAGNER** - And I guess in the interests of openness and transparency. I mean, why not be up front about the charges?

**Ms GILLAM** - I think they are all there for people to see. If we had someone to fight their way through the webpages we probably could have found it.

**Mr HARRISS** - Do you contend then that in the absence of headworks charges being applied local government is at a disadvantage or is at a financial loss?

**Ms GILLAM** - Well, local government is not, it is communities because they have to be paid for - infrastructure - and so some other method of paying for it has to be found. You can do that by going cap in hand to government for grants, which has worked to a certain extent in the past, but local government has been saying to the State Government that we want a more structured approach to infrastructure provision. It is a hard ask because there is a lot of kudos in going out and giving out buckets of money but I think that argument has been accepted to an extent. There is some fantastic work going on in the Sorell area in terms of long-term infrastructure planning and development. The other thing I think we have to bear in mind is the water and sewerage review and this will all become an academic debate if another structure is formed for that and there is no way in the world they will not be charging people for headworks when new subdivisions are developed.

**Ms FORREST** - I know that water and sewerage and reticulation and everything charged to the ratepayer are important revenue streams to local government bodies so if that is taken away through this review of the water and sewerage, what sort of impact would that have? Again, it will all become academic at that point.

**Ms GILLAM** - It is going to have a huge impact. I do not think we are really aware of the extent of that. I know Treasury is doing a lot of research into what sort of impact it is going to have. They are just discussions that are going to have to continue with the State Government.

**Ms FORREST** - If a whole chunk of local government's income is taken out then the need to look at how can we recoup the cost of further infrastructure is going to be an issue that needs to be discussed.

**Ms GILLAM** - Yes.

**Ms FORREST** - Do you think that should be part of this discussion or is that a separate thing?

**Ms GILLAM** - It is going to make your discussion very huge. I think I would just be floating it as an issue.

**CHAIR** - You said Treasury is doing a lot of work on that. I hope local government is too.

**Ms GILLAM** - We have been involved increasingly. I think Treasury has quite a large group of people working on this and they are doing some excellent research that has probably never been done.

**Mrs SMITH** - The Treasurer has readjusted his original position to open it all after all the whingeing of the Legislative Council.

**CHAIR** - I am conscious of the time. The other issue that has been raised by representatives of the development sector is the issue of planning and the time delays and the frustrations with planning schemes and so on. How big an issue do you think that is? We have the new legislation that went through last session and there is a decent attempt at last by the State to do something with regional planning. You have said in your submission that most councils are complying with the statutory legislation in 42 days et cetera. Do you think it is getting worse?

**Ms GILLAM** - No. I did some work on the KPI report. Just look at the sheer bulk of numbers that councils were dealing with in the last five years. This year was the first year that they separated the number of planning applications out from building applications. Let us take, for example, Brighton. In the year 2000 they had 165 building and planning applications. In the financial year 2004-05 they had 819. Some of these councils have had four-fold increases in building and planning permits at a time when they are struggling to get building and planning staff. The fact that in the majority of cases they are meeting the statutory time frames is incredible. All these developers will bring to you anecdotal cases of people who feel they have been messed around by the planning system. Similarly councils will come to you and tell you how many times they have been messed around by developers not supplying required information and having to go backwards and forwards. Interstate the delays they are talking about are in terms of years, not days or weeks or even months. I have a relative who did a building application with a coastal council in New South Wales. The process took her 18 months before she got her building approval and the processes that they have to go through there are quite

extraordinary. If there is any criticism of our planning system it is that it is not tough enough.

**CHAIR** - The information you just quoted from, is that public?

**Ms GILLAM** - Yes, it is in the key performance indicator reports. Would you like me to extract it a bit more so you do not have to go ploughing through?

**CHAIR** - Yes, that would be really useful.

**Ms GILLAM** - We have had discussions with the building industry and the development industry about their frustration with planning schemes and the fact that they differ from council to council, and we have been prepared to work on that for some time. I think probably the whole planning area of the State Government has been fairly bogged down on other issues in the last 18 months and that has been as much a frustration to us as to anybody. Even so those issues are, again, not having the huge impact here that they are having interstate. If anything, my personal concern is that to a large extent the planning schemes that a lot of councils are working on make it very difficult for them to control the release of land. I know there are issues here that there is not enough land supplied, but I would strongly question that. I really worry that the way land is being released and developed in Tasmania at the moment will in 10 to 15 years' time pose a huge but different problem. We are going to have had unsuitable housing built in inappropriate areas where it is going to be very hard to supply public transport, medical services and provisions for a basically aging population. We have to bear in mind that despite the little glitch we have had, the Tasmanian population is actually declining, and whilst we questionably have a supply problem at the moment, I think we have to be very careful that we do not overreact to that.

**CHAIR** - In my early days as mayor, it must be a decade ago, there was a report done which indicated that there were 10 000 in-fill blocks in the greater Hobart area. I imagine some of them have been used up, but not too many of them. Is there an up-to-date figure on that?

**Ms GILLAM** - I am not sure about that.

**CHAIR** - It would be really useful if we could get a figure on that for each of the regions.

**Ms GILLAM** - Are these privately owned?

**CHAIR** - I cannot remember the study, but it is one that I quoted in speeches.

**Ms GILLAM** - And it was greater Hobart?

**CHAIR** - Yes, but I think it was out of a statewide study that showed the number of in-fill blocks.

**Mrs SMITH** - And probably came out of the RPDC who, as planning schemes came in, would be asking the question because they had a strong bent on in-fill before new subdivisions because of infrastructure issues. The figures are probably in the RPDC range.

**Mr HARRISS** - Mr Chairman, the issue then was that there was no need to rezone any more land to high-density or low-density residential because there was heaps available.

**Mrs SMITH** - I would be interested in your opinion on that, Liz. Does that create the problem of further cost? If you adopt a policy of in-fill rather than a new subdivision, do you see a danger that it would push up the price of land in the same way as some of these other issues have pushed it up out of range as affordable housing for a lot of people?

**Ms GILLAM** - By using in-fill?

**Mrs SMITH** - Yes.

**Ms GILLAM** - I think the problem with in-fill is most of it is going to be privately owned and nobody has control over the market at the moment.

**Mrs SMITH** - If I do not want to sell the block next to my house I do not have to, even though the services run past it.

**Ms GILLAM** - No, why would I?

**Mrs SMITH** - But if it gets profitable because of an in-fill policy, and in a shortage becomes more valuable, it puts more stress on the affordability of housing.

**Ms GILLAM** - Do you mean trying to make that block of land available for affordable housing?

**Mrs SMITH** - For any sort of housing. If you suddenly had a policy that there is a moratorium on new subdivisions in Tasmania, we will in-fill because the infrastructure is there, it is running past lots of these places et cetera, would that, as a lot of other policies have been shown to do, push up the price of housing because the options become less?

**Ms GILLAM** - I suspect it might and in doing so you would disenfranchise a lot of people. They have expectations about what they can do with their land now. I have these extremes of thought about becoming terribly communist in saying we need to do all these things, and then thinking you just cannot do those sorts of things in an open market.

One of the other things that is talked about quite a bit in terms of local government is special provisions for people who provide affordable housing.

**CHAIR** - I was going to ask about inclusionary zoning.

**Ms GILLAM** - I know it is included in policies in New South Wales and South Australia. They have just made some changes in their legislation in terms of provision of affordable housing. There does seem to be a big question mark about how you retain it as affordable housing. There are things like putting covenants on titles and agreements that have to be entered into, but there was an article in the *Australian* soon after the first housing was released under that South Australian legislation and the developers were saying themselves, 'We can't see anything that's actually going to stop anybody from selling this for \$40 000 or \$50 000 profit'. They have had the advantage of various

subsidies and things to build it. I think there would have to be a lot more work on what has been successful in retaining housing as affordable housing.

**CHAIR** - One of the proposals of the Housing Industries Association was to set up a federally funded 'residential infrastructure fund' for urban infrastructure to help pay for the costs of related services. Would local councils in Tasmania be willing to support a funding agreement between all levels of government to make that possible?

**Ms GILLAM** - I am sure they would, Mr Chairman, but again it is a knee-jerk reaction. The development fund that the Commonwealth Government is talking about at the moment I think is not for your water and sewerage-type infrastructure. I think it is more community infrastructure. I am not quite sure if they are talking about that or more basic infrastructure.

**CHAIR** - I am not too sure.

**Ms GILLAM** - The other disadvantage with that is when you come to an agreement with one level of government what happens when that falls over. Hasn't the time come now when we really have to have sustainable arrangements in place for the funding of infrastructure by all levels of government? That might be necessary to deal with the problem that we have immediately facing us but I do not see it as necessarily a long-term solution.

**CHAIR** - Just going back to planning schemes. In your submission you concede that there are 'shortcomings' in planning schemes. Can you explain what you think the shortcomings are and would it be fair to say that planning schemes are too inconsistent and ad hoc in Tasmania?

**Ms GILLAM** - I think the fairly obvious ones are in terms of definitions where a developer might go to five different councils and have five different definitions on what a permitted use or discretionary use is. I think there is a lot of simplification that can be done and it will make them easier to understand - inconsistency in definitions of zonings.

**CHAIR** - Lack of State policies - is there a concern about that?

**Ms GILLAM** - I think local government has moved quite a long way on that. Whereas in the past there might have been resistance to that, I think there is a far better appreciation that they are going to help a great deal. In fact on a very similar issue, the provision of accommodation to ageing people, one of the possibilities we are looking at in the tripartite partnership is a State policy on the provision of accommodation for the ageing. Many of the issues are similar to this and I think a policy can probably cover both areas.

**Mrs SMITH** - How do you ensure when you have a policy that it is interpreted the same way? I instance agricultural land policy, coastal policy. That is the difficulty that has arisen from the State policy process, in my opinion, that we are seeing now. And then communities say they can do it next door but they cannot do it here.

**Ms GILLAM** - I think particularly with PAL, a lack of guidance in implementation has been conceded and I think that will improve dramatically. I am not quite sure where the coastal policy is at.



**Mrs RATTRAY-WAGNER** - I think it is still under review.

**Ms GILLAM** - I agree that could well be an issue but it is still going to be better than not having anything at all.

One of the other issues that the Property Council was talking about then and was an issue that actually started that whole ageing partnership happening, was the nimby syndrome. One of the approaches that has been taken in the ageing area is to develop a package for developers about how the planning system works here because there is an awful lot of people arriving at the council front desk and saying they want their application in 42 days and not really having any comprehension of the impact it might have in their community. There is a whole lot more work that needs to be done in the community about how important these sorts of developments are. There have been recent cases in terms of far more specific affordable type housing in local councils which have run awry and from the discussions I have had with the people that have been involved I think the whole lack of understanding of what was being proposed, lack of prior consultation, was probably 80 per cent of the problem. That is very special sort of affordable housing you are talking about there but I think the lessons probably apply to any sorts of -

**Mrs SMITH** - Would that be one of the areas you are talking about, how if anything our process is too loose and not as tough as the mainland? If you wanted to put something like that in, there should be a consultation process that you have to tick off to at the front end of the planning thing when you put it in and say I want it in 42 days, one of the things you would have had to have done is consult with the local area.

**Ms GILLAM** - I think that is something that you could include in the policy. I do not think it is something you probably need to legislate for but I think that is certainly something that needs to be put into those processes.

In doing the work for this submission and this hearing there is some really quite useful material that has been prepared for local governments in other States. I certainly think there are areas where we can support local government in doing more in this area in working with developers and their communities to develop affordable housing. In New South Wales there is a huge kit on developing an affordable housing strategy. The amount of work involved in what they are suggesting there is going to be beyond the means of many councils here but maybe not beyond the means of some of our larger councils where perhaps this issue is more important.

I think what I am trying to say in pulling this to a close is that we do not want to be seen as local government being negative about this. None of it is our fault but I am suggesting that some of the things that are being laid at our door are not quite as simplistic as they have been made to seem.

**Mrs RATTRAY-WAGNER** - Fair comment.

**CHAIR** - I think the information we have asked for, the further information, is really critical to our deliberations here. We are on a tight time frame, though.

**Ms GILLAM** - What about land supply? Is that an issue?

**CHAIR** - Land supply is certainly an issue. Any figures you have on that would be critical; also the information about planning and building approval times.

**Ms GILLAM** - Right.

**CHAIR** - I thank you for the work you have done and, as I said, if you can get that information it would be really valuable to us.

**Ms GILLAM** - You said the time frame is tight. Can you give me times so I can give them time?

**CHAIR** - A month.

**Ms GILLAM** - Okay.

**CHAIR** - Probably three weeks. It is a crisis situation so we are trying to get the report tabled before the end of the sitting here. Thank you.

**THE WITNESS WITHDREW.**

**Ms EMMA RILEY**, PLANNING INSTITUTE OF AUSTRALIA, TASMANIAN DIVISION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Martin) - Thank you for coming in and thank you for your submission. We have had a fair discussion on planning that you probably just listened to.

**Ms RILEY** - I did.

**CHAIR** - There are a lot of issues we would like to discuss, so perhaps if I gave you 10 minutes to give an overview.

**Ms RILEY** - I have prepared a short statement expanding on our submission, Mr Chairman.

As indicated in our written submission, to resolve the affordable housing issue obviously requires complex and diverse policy solutions, many of which relate to financial and investment incentives. While the institute supports a broad approach to these, we are focusing upon where the planning system can assist in resolving the affordable housing issue. Across Australia one of the key planning considerations in relation to affordable housing is providing for sufficient release of residential zoned land. As previously raised in the last submission, within the Tasmanian context this consideration does not have as great an influence on Affordable Housing Tasmania. From our view Tasmania has no current overall controls on the supply of land and the estimate prepared in the late 1990s was that we had in excess of 40 years of land supply that was zoned for residential and rural-residential purposes. That was a conservative estimate and excluded land that may be deemed less desirable due to amenity considerations.

We are not saying that land-use planning in Tasmania hasn't contributed to the affordable housing issue. However, before we address some of the shortcomings, the institute highlights that, unlike many of the other States, the existing mechanisms within the planning system require very little alteration to address some of the affordable housing issues. In this respect we do not recommend any significant legislative changes to the resource planning system in Tasmania. We believe that the mechanisms can be achieved through the existing legislation. Primarily we see the need for a State policy on affordable housing under the State Policies and Projects Act. Obviously one of the greatest restraints on the planning system over the past 15 years has been the lack of policy direction at the State level. As a result many of the local controls are not consistent; decisions can be influenced by vocal community groups, sometimes at the expense of the wider community good. Local governments compete for residential development that will shore up their residential base, sometimes at the expense of requiring a supply of low-cost and social housing.

We believe the State policy would also ensure consistency across planning schemes and would link in with existing planning directive 1, require them to provide overall planning objectives to promote affordable housing. We note that at the present time there are very few examples of planning schemes in the State that even have an objective within their ordinance that requires consideration of affordable housing. We would also encourage, as part of the State policy, an implementation guideline for appropriate development control provisions.

One of the specific areas that we believe the State policy could provide direction on is appropriate location of affordable housing developments. In this instance we highlight that they should be focused to a large extent within existing urban centres, rather than on the periphery where disadvantage can be exacerbated by locational effects. We also recognise the need for some flexibility in development controls, and this can be just by further State policy. One small example is providing for small granny flats or things like that within existing areas without having to address the normal density-control provisions. There is potential for allowing for reduction of development control provisions on specific land parcels where the development is providing for affordable housing or introducing planning incentives for diverse housing types by allowing for a mixed use within that area, bonus floor areas or similar incentives.

We also recognise that the State policy probably needs to be supported by other initiatives. Importantly, the first one of these is providing for an overall settlement in growth strategy for the State and following that down to a regional level. There is not anything at the moment, and this will provide a clear framework at a regional level for supply of appropriately zoned land to avoid artificial supply constraints. It also will minimise the influence of competition between local government areas. We would also promote the analysis and identification of public land parcels within existing urban areas that are suitable for redevelopment of low-cost housing. There are possibilities for government or government in partnership with private developers to develop these through financial incentives or subsidies. We would also embrace an approach that ensured that major residential developments or land releases required a certain percentage for affordable housing but we acknowledge that in the Tasmanian context this probably has some limitations because we do not have the very large land releases and major residential developments that you get on the mainland with their very strong levels of growth on the urban fringes. Obviously previously raised in the last submission, we would also encourage direction and consistency in the cost of infrastructure across local government areas and additional funding to assist in the development of communities within fringe areas.

**CHAIR** - Paid by whom?

**Ms RILEY** - I think it needs to be a combination of government and developer contributions.

**CHAIR** - Are you able to table that information before you go?

**Ms RILEY** - Yes.

**CHAIR** - As you heard me saying to the last witness, we have heard just about every one of the development groups have indicated that local government planning is a large part of the problem leading to the time delays and the increased costs. Does the Planning Institute have a view on that?

**Ms RILEY** - We would support the previous submission, in that I think in a lot of respects it is a perception rather than a reality.

**CHAIR** - That is the Local Government Association submission?

**Ms RILEY** - Yes, the Local Government Association submission. If you look at Tasmania in the context of the other States we do have a much faster assessment time. That is primarily because of the Land Use Planning and Approvals Act where it is a deemed approval if it is not done within a statutory time frame. In most other States it is a deemed refusal so the onus is actually on local government to get the assessment done within the time frame. There are instances where assessment times are starting to extend, but that is reflective of the additional complexity in the legislation and the environmental assessment that needs to be undertaken. The Planning Institute also acknowledges that the shortage of planners is probably contributing slightly to it. In Tasmania at the moment we have eight vacant positions for qualified planners and my understanding is that none of them are receiving any significant interest. It is probably going to become a critical point.

**CHAIR** - Are there any strategies in place to deal with that?

**Ms RILEY** - On a national level, but not at a State level, but we have recognised in the last couple of months that the institute needs to address that very quickly. Overall we are supportive of the local government submission in that the time frame is not that bad and we could provide examples where developers themselves have unnecessarily delayed the assessment process. They often include in the time frame the requests for additional information and things like that, but the institute would encourage such developers for appropriate pre-application discussions and that would actually assist in reducing those times to us.

**CHAIR** - How big an issue do you think that is and is there a role for the Planning Institute or local government or someone in the State Government to do an education process?

**Ms RILEY** - I think there is a pretty strong role for all of those. This is one of our key policy areas over the next 12 to 18 months in terms of education. We are of the belief that in Tasmania there is a fair degree of misunderstanding within the community about the approvals process. We are intending to focus on that a lot and we would certainly encourage an integrated approach with the Local Government Association as well.

**Mr HARRISS** - In your submission you address the matter of providing flexibility for housing choice in developments et cetera. From a purely planning perspective would you see that as being permitted uses as opposed to discretionary uses? I raise that because you understand there is such activity whenever there is the discretionary use and there comes the planner's personal view, if you like, or subjectivity, it could be argued.

**Ms RILEY** - In the context of that question I think we need to look at it with the new planning scheme template in mind in that there will be one use definition for residential development. I would suggest that in most instances the uses themselves be permitted but the development controls I think are a matter of discretionary standards. The permitted standard I think is going to be the norm.

If you take density controls, for example, the permitted standard if you are looking at an existing urban area is probably going to the norm of minimum lot size 600 depending on where you are but as a discretionary standard I would say that there should be the flexibility there to bring that right down if it is consistent with an overall strategy of providing for low cost or affordable housing. To bring it in as a permitted standard

because there are existing amenity considerations and things like that it takes away the ability to look at those being in the permitted standard because you would encourage probably a higher density and things like that so to make it permitted you would not be able to appropriately control the amenity. When I am talking about amenity I am talking about strict things like overlooking or loss of privacy and things like that, I am not talking about perceived amenity impacts of affordable housing next to existing residential developments so I would say it would need to be a discretionary standard.

**Mr HARRISS** - It would be true, would it not, that by going down that path and opening up third party objections/appeal rights there is the possibility of clogging up the appeals system if indeed we do not find some more streamlining to that or put tighter time lines on in dealing with objections and appeals?

**Ms RILEY** - Yes, there is that potential and in Tasmania we have obviously the potential for unlimited third party appeal rights obviously subject to objection within the tribunal's process. They do not have that in many of the other States - third party appeal rights are limited - so there definitely would be the need to look at that at the same time as opening it up. One very recent case in Tasmania is the Cadbury Road appeal where Anglicare is obviously looking at establishing a social housing place there. There were 32 parties to the appeal. Many of them have been refused permission to join because they could not show appropriate interest in the appeal. There is potential there as long as there is consistency in the tribunal's own approach in dealing with many of these third party appeals it could be addressed through that way.

**Mr HARRISS** - Mr Chairman, just to wrap that component up, that then suggests to me - and I would value your contribution - that that highlights the need for a really well developed housing strategy to be developed for the State and that is a much bigger picture embracing a whole range of those issues because the RPDC and RMPAT right now have their working guidelines. They have applied those with regard to that development you just mentioned but they may not be consistent with other developments and that might mean that all of those working guidelines for those bodies need to be revisited as part of a really broad housing strategy.

**Ms RILEY** - I agree, but I also agree it needs to be done in the context of a lot of other planning issues in the State anyway in terms of the roles and responsibilities of each authority and the way that fits in with the State Government's policy directions in that. For example, at the moment there is inconsistency - and it was raised previously in light of the PAL policy; there is inconsistency with advice put out by the land use planning branch, the Department of Justice and the Resource Planning and Development Commission. This is because there has not been firm direction from high levels in government about the policy direction with land use planning in this State because it basically has not been there for the past 15 years. It is now starting to be developed with the land use planning branch but unfortunately the role of the commission has not be reviewed in light of that and that is the same with the tribunal as well because to an extent they have had to fill in a gap for it for such a long time in policy development that there is now inconsistency coming out from different arms of government.

**CHAIR** - There has been a suggestion made by government members in the Legislative Council recently that there is too much consultation et cetera in planning processes. Have you a comment on that?

**Ms RILEY** - From an overall -

**CHAIR** - And they cause time delays in approvals et cetera.

**Ms FORREST** - A laissez-faire approach.

**Ms RILEY** - Planning systems are the antithesis of a market system and we have a planning system because we want to achieve a greater community good and I think an essential part of that is obviously community consultation. I do not think we have excessive amounts within the planning system at all at the present time. If you look at the pure statutory requirements, they are fairly limited so I would not say there is excessive community consultation at all. I would say in my experience as a planner that yes, there is a handful of examples where because of community consultation things may have slightly extended in time, but it is not the norm at all.

**CHAIR** - Claims have been made by some of the submissions we have received that planning impacts on the cost and the affordability. Basically you indicated you do not think that is the case?

**Ms RILEY** - I would say it does slightly to the extent that we do not have a lot of consistency across planning regulations in the State at the moment and we do not have the high-level direction that the planning system needs to function efficiently, so to that extent we are probably contributing to it slightly but I would not say that it is by any means the biggest contributor to the cost of affordable housing. I have seen in previous press releases that the Master Builders Association has put out about not supplying enough land; we are too restrictive on where development can go. I would say that that is not true and, in the interests of the wider community good, there are obviously reasons we do not allow land release in certain areas because it is for long-term sustainability of our State map. I do not support those submissions.

**CHAIR** - What do you think needs to be done? What are the priorities to improve the planning system?

**Ms RILEY** - The number one priority is the State policy. Without the State policy there is no requirement for new planning schemes to implement affordable housing strategies within their ordinance mat. I think that has to be the number one priority if you are looking at how the planning mechanisms can address it. The funding available to the land use planning branch needs to be a lot more. They are limited in staff, limited in time and the Government has not placed a very high priority overall in terms of providing funding for planning. Following on from that, in the last budget we have \$1.5 million allocated to regional planning strategies and developing the new planning schemes. Even with one planning scheme per municipal area, that is still 29 planning schemes with \$1.5 million to assist in the preparation of them, and it is just nowhere near enough money to do it. The State policy needs to come first and out of that there needs to be more funding from State Government to assist these councils to get their planning schemes consistent with the policy and consistent with the planning directive 1 so that we do have relative consistency with development control provisions, definitions and interpretations.

**Mrs RATTRAY-WAGNER** - Given what you said about the shortage of planners, is there enough resource and expertise around for you to do that, even if the will was there and the funding was there?

**Ms RILEY** - Probably not within the State, but this is one of the areas where I think planners with interstate experience would not be at a disadvantage. Obviously on the mainland they have very well established planning systems with a lot of experience at the State level strategy and policy. I think we would benefit from some of that experience within the Tasmanian context.

**CHAIR** - The Legislative Council Select Committee into Planning. You would be familiar with that report?

**Ms RILEY** - Yes.

**CHAIR** - Does the institute support all of the recommendations, or most of the recommendations?

**Ms RILEY** - Overall, yes. Without being able to recall all of them off the top of my head, yes.

**CHAIR** - But general agreement?

**Ms RILEY** - Yes.

**CHAIR** - You quoted the figures that I mentioned in the LGAT presentation on the available land. Have you got figures on that that you can supply to us?

**Ms RILEY** - I can obtain the figures and forward them to the committee secretary.

**Mr HARRISS** - Does the paper which has been circulated and Emma referred to in her notes to support the written submission set out all of the matters which you raised in your written submission regarding providing more detailed analysis of your various solutions which the institute sees, or do you have a more detailed paper which really goes to the nub? Or is it appropriate if this committee is to recognise that the State housing strategy needs to be developed? If so, then you would contribute to that, or is there a more detailed document you can give us now?

**Ms RILEY** - The Planning Institute had a specific policy statement on affordable housing. It can be made available. That goes into a little bit more detail. We also have a little book, *Communities Policy*, that deals with it as one of the top seven issues - the fourth one there is affordable housing - so that has more detail and I can provide that as well. We would also agree that if one of the outcomes of this committee is that there is a need for the State policy, then we would see that as part of that process. The Planning Institute would analyse more specific resolutions.

**CHAIR** - Thank you, Emma.

**THE WITNESS WITHDREW.**



**Mr KEN LANGSTON**, STEPS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Martin) - Welcome to the hearing. We have all read the submission which is very detailed. Thank you for that. We have half an hour set aside which we are finding is not enough for anyone, so it is a tight time frame, but if you could take 10 minutes and give an overview and then we might go through section by section and ask questions.

**Mr LANGSTON** - I will not bother about the introduction. I guess the paper explains who the organisation is and why it chose to do what it is doing in terms of supplying affordable housing.

I would like to bring to your attention that there are a couple of components to the paper. One is what we see as the role of the Commonwealth in assisting in making housing more affordable, and there are certainly some changes around the use of Commonwealth rental assistance.

I know that the committee is interested primarily in what the Tasmanian community can do, so I would like to focus on a couple of roles. One is to facilitate the development of community organisations which want to increase the supply through construction themselves or development utilising local council or State Government-owned plant. We know that is being primarily facilitated through Tasmanian Affordable Housing Limited, which just recently received its funding agreement from the Government and that non-profit company in coming weeks will be making some of that land available. So that is a great thing, particularly given that its role will also be in subsidising the rent that is payable between the tenant receiving Commonwealth rental assistance and the market return that is expected by investors.

We also see that there is another role that the Government can play, and that is in looking at unlocking the equity that exists in its current housing portfolio. We think that there is a good way to unlock that equity. I guess in years gone by people would say the Government can just go and borrow some more money, but these days governments believe that they are best leaving that type of investment to a level of investment that is comfortable with their current revenues rather than making investments based on the value of the equity that they have holding in their assets.

There are examples in other States. I am watching with a lot of interest one in Canberra at the moment, where I know the people involved, and there have been 130 homes transferred from the existing State ownership to a community organisation called Community Housing Canberra. Transfer has been complete with title so this is quite different to what is happening in a lot of other States where the community organisation is simply seen as the manager of the tenancies. In this example the community organisation will manage the tenancies, but they will also have access to title and the equity in those properties and will be able to gear and build. That is a model that we have just undertaken on a very small scale here in Tasmania ourselves with nine properties, with Housing Tasmania transferring them to us at government valuation and us being able to realise immediate fair market value equity to build another five, three of

which we have under construction now and another two which we will have by the end of the financial year.

The transfer of that housing stock to Community Housing Canberra was conditional upon the fact that they do gear against the equity that they have in those properties. It was also conditional upon - I do not know the exact details - the interest that the crown has in the properties being still registered for a period of time. An example that we have in Tasmania is that it is 30 years' title transfers to the community organisation. The Government's interest is registered for 30 years by amortising the value of the properties over those 30 years. So every year one-thirtieth of the value of the properties is released into ownership of the community organisation. So every year one-thirtieth comes off and over a period of time more equity is released, the market value of the property increases providing more capacity to gear. With the example in Canberra I am not sure what the time frame is, but it was conditional upon the fact that they were geared. I guess what we would like to stress to you is that portions of the equity that is in the more than 12 000 properties that Housing Tasmania owns could be transferred to community organisations, and the willingness to undertake the ownership of those properties with title, with the interests of the Tasmanian community registered through a mortgage title, having it registered on the title, and being able to gear and build and to supply because the issue really is about supply.

Affordability comes down to just how many houses are available for people to purchase or rent to live in and I understand from the figures that the Housing Institute of Australia provide that we are some 10 000 housing units short each year just to accommodate the requirements of our children leaving our homes and entering the marketplace. That does not take into account migration, it does not take into account immigration, it does not take into account change in lifestyle circumstances - people get older and want smaller places; growing families want bigger places and so on. It does not take into account the economic life of existing housing stock that we have as well.

We see ourselves as just one small part of this equation but we are offering a solution and it does not have to be limited to just us, of course, it could be open to any number of community organisations in Tasmania that want to have a go at it. We have an existing example of how it is working and working well and that is a property portfolio of nine houses that we tendered for to Housing Tasmania. It was a housing coop owned by some El Salvadoreans that went into administration. I understand from Housing Tasmania that we provided the best value in terms of our tender. Everyone else was asking for money to fix those properties, we asked for nothing and said, 'We will give you five new ones in return', and that is what we are doing.

**CHAIR** - Is this Warrane?

**Mr LANGSTON** - No. Warrane is another development of ours.

**Ms FORREST** - These are individual properties in different parts of the State?

**Mr LANGSTON** - They are spread between New Town and Pitcairn Street in Montrose.

**Mrs RATTRAY-WAGNER** - Are they a mix of housing?

**Mr LANGSTON** - Yes. Two or three bedrooms primarily, with the existing tenants, and we are building three new properties in Austins Ferry and another two on land we have not quite decided on yet but that will be decided before the end of the financial year.

**Ms FORREST** - That is a mix? They are not all the same sort of property you are building?

**Mr LANGSTON** - No. They will be the same, they will be two bedroom. Most of the demand is for two bedroom.

**Mrs RATTRAY-WAGNER** - Do you put more than one structure on a title? Two lots or three lots?

**Mr LANGSTON** - As often as possible, yes. We try to get some density because density enables affordability really. While we do not have outrageously high land prices in Tasmania, as we do in other States, land is still a little bit hard to find, suitable for medium-level density.

**Mrs RATTRAY-WAGNER** - It is an interesting comment from the previous submission that there is 40 years' worth of available land but I am trying to think about some of the areas I know.

**Mr LANGSTON** - We are out there looking all the time and I can tell you we cannot find 40 years.

**Mrs SMITH** - It has to be for sale.

**Mr LANGSTON** - It has to be for sale. We are trying to build two properties in Sorell at the moment that we want to put on one title and we cannot find a single block in Sorell that will enable us to do that.

**Ms FORREST** - That is publicly or privately owned land?

**Mr LANGSTON** - Both. We cannot find one single block. We have been told that council is not supportive of multiple or medium-density dwellings; they would rather see smaller land sizes with individual homes on that land.

**Mrs SMITH** - There is a model in West Ulverstone of that. They are really units but they are on their own block, fenced. I think it creates more home, my space issues perhaps.

**Mr LANGSTON** - Yes, perhaps.

**Ms FORREST** - Privacy.

**Mr LANGSTON** - You can get that out of a good design on a larger block. All of our properties are strata title. We are not looking for Torrens title or common title or anything like that.

**Mrs SMITH** - How do you manage the maintenance issues? Do you have a maintenance structure in this concept?

**Mr LANGSTON** - Yes. We take two approaches to this. One approach is the community organisations, that is a public benevolent institution and can access Commonwealth and State Government funds that are available for construction of housing and we do that there. We also have a trust that we have raised private equity through and that trust also builds houses and STEPS is the manager of that construction for them. The properties are owned by the trust and headleased to Tasmanian Affordable Housing Limited or to the State Government and they are responsible for the maintenance of those properties. We manage the maintenance and the tenancies ourselves of those owned by STEPS..

**CHAIR** - In relation to the model you have put forward in relation to the existing stock of Housing Tasmania and transferring it, is there no cost to transferring the ownership?

**Mr LANGSTON** - It works best of course if it is at no cost because there is more equity there but it does not have to be. It will change the numbers that I am suggesting.

**CHAIR** - The numbers, though, are based on no cost.

**Mr LANGSTON** - They are based on no cost and they are based on an average of \$150 000 per property. There are some properties that the Crown owns that are going to be worth more than that and some may be worth significantly less than that, depending on the suburbs.

**CHAIR** - The Warrane property is the model you have put ? Was that done at no cost?

**Mr LANGSTON** - No, there was consideration for that. That was land that we purchased ourselves. It had boundaries that were shared with some Housing Tasmania properties and we could see that we could increase the density on the development if we were able to re-align some backyards, put in some new fences and rub out some pencil marks on the title, and we could increase the yield from seven to 10 properties. We spoke to Housing Tasmania and said this is what we thought we could do. This is before the Tasmanian Affordable Housing Limited initiative was actually in anyone's thinking. It takes that long for all these things to occur. We said we would give them three of the houses available for their tenancies, their waiting list, for 10 years in return for probably 70 to 80 square metres of land of adjustment in boundaries. One house had to be knocked down and we said that we would relocate it and push it forward and build them a new one in return for it. So essentially that was the consideration. They got a brand-new home plus they got three houses put into the rental pool that they would not have had. So they got one brand-new one and an increase of three.

**CHAIR** - So the original nine.

**Mr LANGSTON** - Sorry, we are talking about two separate things. Perhaps I am not making myself clear. The nine is a stock transfer of houses from an El Salvadorean coop.

**CHAIR** - The Warrane one was -

**Mr LANGSTON** - The Warrane one was 10.

**CHAIR** - Are all of them - the one sold -

**Mr LANGSTON** - Yes, there was one sold.

**CHAIR** - To TAHL.

**Mr LANGSTON** - They are all headleased to TAHL.

**CHAIR** - How are the tenants for that selected?

**Mr LANGSTON** - I understand that TAHL worked with Housing Tasmania to determine who they were and I believe off their waiting list. I know no more than that. We had no involvement in the selection.

**CHAIR** - We were a little bit concerned with submissions made yesterday that there is no requirement on TAHL to actually select tenants from the category 1 list and in fact they are unlikely to do so.

**Mr LANGSTON** - STEPS is a shareholder in TAHL. We get no money of course because it is non-profit, but I just wanted to share my interest in that. My understanding is that it is likely to target categories 3 to 4 and my understanding from early discussions with the new set-up of TAHL is that that was the target group that everyone was seeking to accommodate. I do not know that it is written anywhere. I do not know that it is documented, it is just an understanding that I have.

**Ms FORREST** - The properties that you are providing, are they properties that would not be necessarily suitable for people with significant disability that would need wheelchair access or other particular needs? Is that why they may not be as appropriate for category 1, do you think?

**Mr LANGSTON** - Possibly. To answer your question, the properties that we are building and I believe that others are building are standard properties that have general market appeal, general market value without modifications.

**Ms FORREST** - So not necessarily wheelchair accessible and that sort of thing?

**Mr LANGSTON** - No, but you could build them if that was the target group and you have the opportunity to negotiate a rental return with TAHL so if TAHL was to nominate that this is the type of accommodation that they would like I cannot see any reason why you could not build it as long as you can negotiate a price that satisfies everyone.

**Mrs SMITH** - The tenancies you put in the other company, was there a category of rental according to their means -

**Mr LANGSTON** - Yes.

**Mrs SMITH** - or did you just set a rental?

**Mr LANGSTON** - No.

**Mrs SMITH** - So it took consideration of their income?

**Mr LANGSTON** - Yes, it is capped at 75 per cent of market rent which is benchmarked through the Australian Taxation Office.

**Mrs SMITH** - Because of the financial stresses of State governments, and it is a personal opinion, I think in time we will see State governments looking at what I call social housing only. That is emergency housing, disability housing, mental health et cetera and they have shown signs of that -

**Mr LANGSTON** - I believe that you are right.

**Mrs SMITH** - and that the TAHL concept is to take away everything else for the low socio-income, whether it is a Centrelink income or low cost et cetera. Do you think that is the scenario?

**Mr LANGSTON** - I believe that is what you should see. It is certainly what you will see in other States. Some people talk about it quite negatively as an abandonment of government responsibility but it frees up more money to target those people who really need the help that nobody else in the marketplace can cater for. I do believe that what you think is happening is actually happening.

**Mrs SMITH** - If I could put another scenario to you? An opinion on whether or not - because there have been stresses on the Housing department and some criticism whilst they sold off a lot of housing they were not quick enough in the market and they are tied into policies of going through particular processes so the houses were sold before they got into it -

**Mr LANGSTON** - I am quite well aware of the process, yes.

**Mrs SMITH** - The concept of housing in a government business enterprise or State-run corporation where it is taken away from a departmental-type concept into something like our Metro with subsidisation if necessary as the Government does with Metro or the GBE Aurora et cetera concept - would you like to make some comments on how you would see that may operate?

**Mr LANGSTON** - Landcom in New South Wales I believe is a government business enterprise there that is primarily responsible for land development and lease at the affordable end of the marketplace. So there is no reason it could not happen.

One of the reasons that Tasmania has chosen the route of Tasmanian Affordable Housing Limited is that a tenant who currently is housed by the State Government has their accommodation needs determined by their income and the rent that they pay is also determined by their income, so it is capped. I think it is about 27 per cent of their income.

If they were in the private marketplace as opposed to a tenant of the Crown, they can receive Commonwealth rental assistance as well as that bridges the gap between what they can afford and what the market demands but, of course, we know it doesn't. That Commonwealth rental assistance is only paid if they are renting from a private landlord. Tasmanian Affordable Housing Limited is in effect a private landlord so they are able to get the Commonwealth rental assistance. So we are able to bring Commonwealth funds

now into the marketplace to negotiate rents that are closer to market return to attract investors to the marketplace. So that is the reason why it is done through a not for profit company as opposed to a government business enterprise.

My understanding of the Commonwealth rental assistance rules is that if a government business enterprise was to be doing the same thing, no Commonwealth rental assistance would be available.

**Mrs SMITH** - So I interpret from what you are saying that because we have TAHL they can access the subsidisation from the Commonwealth -

**Mr LANGSTON** - Yes.

**Mrs SMITH** - and the State is putting \$6 million per annum as well to lower the rental concept?

**Mr LANGSTON** - Yes.

**Mrs SMITH** - So there could be a significant decline in the amount that the individuals would have to pay. We are on the category 3 and 4 lists by the sound of it, not the category 1 and 2.

**Mr LANGSTON** - I do not understand exactly where the income levels cut out on categories 3 and 4, but I understand that for those in the community sector who manage houses, their target group fits within those categories 3 and 4 too. That cuts out at Centrelink health concession card. For, I believe, a family of husband and wife, four kids and a combined income of about \$73 000 per annum is where that cuts out. That is actually quite a modest income unless of course you have got four kids and you know how far that goes. But they are essentially buying into or renting a group of properties that are now not putting a demand on the category 1 and 2 group. If you feed the market near the bottom by increasing the supply you are still going to be helping that category 1 and 2 group accessing accommodation, because you do not have this tidal wave of people looking for it.

**Mrs SMITH** - Unless your categories 3 and 4 are already in accommodation and your thousand people who are sitting out there with nothing still have not got a roof over their head because they cannot afford the rental accommodation that the categories 3 and 4 people are in already.

**Mr LANGSTON** - That is true, but the housing stress concept certainly applies at the moderate income level as well.

**Mrs SMITH** - The scenario you are painting is that supply and demand will push the rental prices down where these categories 3 and 4 are in and as such may make it affordable to categories 1 and 2.

**Mr LANGSTON** - I believe it would free up more properties and put less of a demand on the Government to have to supply them.

**CHAIR** - How does this work with the model you are putting forward of taking over existing stock?

**Mr LANGSTON** - You would have to take on whoever was in there. That would be part of the deal.

**CHAIR** - The problem is there are over 700 households in Tasmania that have been assessed as being category 1 and category 1 means they are either homeless or they are living in a home that is considered dangerous, a crisis situation.

**Mr LANGSTON** - Yes.

**CHAIR** - If TAHL, which is being promoted as a substitute for the past two financial years, including this one, for spending money on public housing -

**Mr LANGSTON** - Yes.

**CHAIR** - Basically if they are not taking category 1 that means no-one is finding any new properties for category 1 tenants.

**Mrs SMITH** - The Housing department is still building properties, separately.

**CHAIR** - But they have no money to be building them. There is no budget.

**Mrs SMITH** - I think there are 22 units going into George Town.

**CHAIR** - That is from the Jim Bacon money.

**Mr LANGSTON** - I am not sure if I have the answer to your question. I am not in a position to say.

**CHAIR** - With your model about taking over existing stock, that is stock that is available at the moment for the category 1 -

**Mr LANGSTON** - Yes.

**CHAIR** - If you were to take them over and sublease them to TAHL -

**Mr LANGSTON** - No, take our example of if you were to transfer 100, 200 or 500 houses across to the community sector to manage the tenancies on the condition that they gear against the equity that is in them and build new ones. Now it is up to you. These are your properties, so they are your contracts, your conditions, and I would think what you would probably like to do is say at least half of them go into category 1 or category 2 to be leased directly to the State Government. The other half can go out to Tasmanian Affordable Housing or should even be sold so that we can increase the social mix in the developments and have some home ownership and encourage that. We have problems with both rental and home ownership, so yes.

**Ms FORREST** - There was a comment made earlier in another submission that private investors are not interested in investing in this sort of level of housing because the returns



are not great, particularly when you are looking only at the lower end of the market. What would your comment be in relation to that?

**Mr LANGSTON** - I have heard that a lot of times and I think it just depends on the level of return the developer wants. There are returns here that are not going to match your 17, 20, 25 per cent returns that you are getting in shares. There is no question about it, you just cannot do it. We have a model that is investing at that end. Our model is supported by KPMG, it shows no return to investors in the first two years but after that it averages 10 to 12 per cent per annum as a minimum, depending on an unassuming 3 per cent capital growth and assuming that we build 20 and sell three every year, and I can increase the returns by building more and selling more. I can get that 10 to 12 per cent per annum. I had no problem finding investors on the basis of a socially and responsible investment and they wanted something nice and ethical to put their money in.

**Ms FORREST** - You have not found personally in your organisation that engaging private investors has been a problem?

**Mr LANGSTON** - No, I would not say that. I would say that there are plenty of investors who see the socially responsible investment concept as being one that they would like to support and providing social housing is seen as a good use of their money. There are others, of course, who want much higher returns than it can provide.

**Ms FORREST** - There are obviously two categories there. Some people with a 'social conscience', for want of a better phrase, are happy to take a lesser return and there are others who do not want to go there as they want a greater return. Have you had any trouble attracting people who have the social conscience? You have not had to go out begging?

**Mr LANGSTON** - No, we did a capital-raising exercise. We were not after a lot of money but we got all that we wanted and we were able to start our first development. I have since had a number of people suggesting to me that they wished they had known about it earlier and would like to be involved if we ever did it again.

**Ms FORREST** - Do you think there is enough interest out there to sustain it?

**Mr LANGSTON** - I think so, yes. I do not know it is at the scale that the Crown would require but it certainly is there and it is going to take more than one shoulder to the wheel for this. We had no problems at all really.

**Ms SMITH** - You may want to take this away and come back with an answer. We have 11 500 properties that Tasmania stocks at the moment and I have listened to the concept of utilising your equity in the property. If 500 candidates were transferred to your organisation with, I think your words were, the interests of the Tasmanian people registered on the titles so they are still owned but you can use the equity, how many additions to that 500 stock in a time frame of two years?

**Mr LANGSTON** - Not many.

**Ms SMITH** - Ten?

**Mr LANGSTON** - You would do more than that, depending on the availability of the land and how quickly Crown Law can work to get the contracts together. Assuming all of that bit is out of the way - you have a signed contract, you have signed agreements and you have land ready - and you have to work through council, our experience has shown that we can do 20 this year. We would probably do 30 next year.

**Ms SMITH** - So 500 could equate to 50 homes extra in two years at no further budget.

**Mr LANGSTON** - I do not see it costing you anything extra as long as we are allowed to have the rental returns off the properties as well. That goes with it. I cannot see it. I would see that over a period of time you would actually even have equity in there to be able to refurbish the existing portfolio.

**Ms SMITH** - So that is a 5 per cent increase a year. You are growing your portfolio and the maintenance on the 500 would be -

**Mr LANGSTON** - Would be our responsibility.

**Ms SMITH** - And you could still, you believe, manage 50 homes in a two-year time frame.

**Mr LANGSTON** - Yes, because the maintenance and construction are two separate components of the organisation.

**Ms SMITH** - So it is the releasing of that equity that is the issue. You do not have to have money when you have got equity.

**Mr LANGSTON** - If you have the equity the money will come. There is no question about that. We have a banking partner already. All they want to see is the mortgage being paid, basically. They want to see the borrowings being paid and they are happy. That is why Warrane was so critical for us. It took so long to get things happening in the end there that the cash flow was affected and the financier said, 'Well when that is done we can give you some more'. So it is flowing now and away we go.

**Ms FORREST** - You made a comment that you sell some of your properties.

**Mr LANGSTON** - Yes.

**Ms FORREST** - They are ones that have been rented by tenants?

**Mr LANGSTON** - They could have been rented. Our agreement with TAHL is that if any of the properties are empty six months prior to the five-year leases that they have put in place we would like the opportunity to sell them and replace them with another one and that way we can keep the economic life for the portfolio fresh and it reduces maintenance costs.

**Ms FORREST** - Do you consider selling to tenants?

**Mr LANGSTON** - Yes.

We are exploring a model at the moment - and I can say it is nothing more than exploration of a model - that is being developed by Community Sector Banking which is a joint venture of Bendigo Bank. It is a rent/buy model where we as the landlord will offer 18 months' rent being returned back to the tenant if they wish to buy the property and they take 18 months' back, first home buyers grant and we sell the property direct to them and discount the cost of any commission that would have gone to an agent so that they now have some equity in the property themselves. As long as they can afford the borrowings Bendigo Bank gives them the money. That is one we are working with them on at the moment. I do not have an example of it actually happening but -

**Ms FORREST** - But you are working in that direction?

**Mr LANGSTON** - Yes, absolutely. Home ownership is a very important part of it otherwise all we are doing is talking about changing landlords.

**Ms FORREST** - Have there been models similar to what you are looking at in other States that you are aware of?

**Mr LANGSTON** - Not the rent/buy. There are shared equity models already in existence in Victoria. There is a company called Supported Housing Limited and they have a subsidiary called Singleton Equity Limited which provides shared equity models for people with disabilities in particular, usually a victim of a car accident who receives a compensation payout, with long-term health and disability issues. Singleton build the house, they use their compensation payout to purchase and they share the equity and if that person passes on or decides to move on to another place the property is sold and the non-profit company retains the equity in it and brings the next person in. So there are ways of doing it.

**CHAIR** - I am very conscious of the time. We might go a bit over time.

One last question from me. You are a shareholder of TAHL?

**Mr LANGSTON** - STEPS is.

**CHAIR** - STEPS I mean. Why did it take so long to get up and running, from your perspective?

**Mr LANGSTON** - That is a another whole hour. I would be happy to share it with you but that is another period of time.

**CHAIR** - It is too long.

**Mr LANGSTON** - Sorry.

**Mrs SMITH** - We may wish to call him back after this.

**CHAIR** - We do have TAHL coming in in the next lot of hearings.

**Mr LANGSTON** - They are in the best position to explain that to you. As an observer I -

**CHAIR** - Yes, no worries.

**Mr HARRISS** - Ken, it seems from both your submission and the things that you have shared with us today that essentially you are addressing the delivery of housing to those in a social need rather than in the affordable housing category or the unaffordable housing category. Is that a fair observation, first of all?

**Mr LANGSTON** - It is fair because part of what we do is more about social housing but the other part of what we do can also be about affordable. There is nothing to stop us from having mixes within our developments where we can - there is nothing to stop us from doing what we want to do, we just have not got there yet, Paul.

**Mr HARRISS** - Expanding that, the Federal Government rent assistance regime is just that - rent assistance?

**Mr LANGSTON** - Yes.

**Mr HARRISS** - Do you have a view on whether that ought to be more flexible to address the affordable housing problem which we have in the nation now and it has probably emerged over the last five years with the boom in property prices and hence the unaffordability issue?

**Mr LANGSTON** - Yes. In our submission we believe that there is potential for the Commonwealth rental assistance to be used in ways to assist the tenant to gain ownership and that the flexibility that it currently does not have should be considered that way. It should be considered an opportunity for the tenant to use those CRA funds to maybe purchase a property

**Mr HARRISS**- A means test of a kind?

**Mr LANGSTON** - You would have to do all of those things.

**Mr HARRISS** - You could argue that the means test is there for rent assistance because the person is renting.

**Mr LANGSTON**- Yes.

**Mr HARRISS** - There is a means test anyway.

**Mr LANGSTON** - In some parts of Australia the rental return or the cost of the rent that the tenant is paying is similar to what the borrowings would be on the loan. They just cannot get the deposit together to go and do it. If someone can help them with a deposit and CRA is income they actually need for those borrowings I would have thought that would be good use of that money, to assist people in home ownership.

**CHAIR** - Thank you, Ken. Sorry we are so pushed for time, we just tried to fit too many in on the one day, I think. Thank you for your submission.

**Ms FORREST** - Very interesting reading.

**Mrs RATTRAY-WAGNER** - I think you could talk about this until the cows come home.

**Mr LANGSTON** - I have been, and I love talking about it.

**Mrs RATTRAY-WAGNER**- We do not mind listening either, so thank you.

**THE WITNESS WITHDREW.**

**Mr GARY BENNETT**, BETHLEHEM HOUSE, AND **Mr TONY BRENNAN**, ST VINCENT DE PAUL, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Martin) - Welcome to the committee hearing. We have the two submissions which we looked at. What we have been doing is asking for a 10-minute overview and then going through and the committee asking questions.

**Mr BENNETT** - We are really at the end of the road as a consequence of not enough housing on the ground. We talk about housing affordability but from our perspective the ultimate consequence is that that leads into homelessness, a problem which my organisation, Bethlehem House, sees, and also St Vincent's De Paul. Obviously with the higher cost of housing on the market it means that those people who not too many years ago were in a position to buy can sadly of course no longer afford to buy.

Those people now are renting houses and, as well, the vacation rate in the private rental market is probably about the lowest it has been in many years. I think Tassie is probably sitting up there in about the top two States with the vacation rate which means that there are very few properties that become available. Landlords and real estate agents can now become a lot more selective as to who they would choose to go into properties which means that invariably those people who are earning more income or certainly those people who are working are going to be given preference for any properties that do become available. So the squeezing-out effect comes right down at the bottom. Those people who are on static, low incomes, or invariably those people on benefits are squeezed out at the bottom.

In services such as ours where we are responding to the crisis in homelessness, Often when we do have a vacancy we may be keeping a man with us a lot longer, for the simple reason that there is nowhere to move them. The ultimate result of that is it is not unusual for us to be giving out blankets to people sleeping on the streets. So we see the whole gamut, with the push from the top ultimately squeezing people out at the bottom. From our perspective that is a lot of the impact.

Around September 2005 the Premier announced the idea of the Affordable Housing Association, stating that was going to put up to 700 new houses on the ground, and that is what really needs to happen. There obviously needs to be more houses. Changing ownerships and different things does not achieve it. There needs to be more houses. You could probably count on one hand the number of new properties that have come on line since that time. There has been a floundering, which appears to be of about two years, in even getting the association up and running and working through all of the legalities of that.

Looking at it broadly, some of the other concerns I would have, after a pretty long career in housing and also in the community sector, relate to some of the areas where this land may be released. Is it adding to already high need socioeconomic areas when you are going to be putting additional people into areas where there is a lack of infrastructure?

They are some of the broad concerns that we have. We do not really see any immediate joy happening. I do not see any likelihood that there will be a sudden change in housing

prices. Even going through an affordable housing set-up with subsidisation, how long do you subsidise for? Part of the affordable housing obviously involves subsidising private investment to a point where they can capture a market rent but how long does the Government then continue that subsidy for? Is it a lifetime thing? How does it operate? You are getting people who are on lower incomes into properties where the investor gets the market rent, but that is by virtue of the subsidy system.

Our service feels the pinch because we are at the bottom end of the scale and we are turning people away because we have too much pressure on our services.

**Ms FORREST** - When you turn people away where do they go?

**Mr BENNETT** - On the street or with a blanket. We know people do. We obviously have a supply of blankets. I did some research into boarding houses and that is another big factor that has happened nationally. Certainly in Hobart and in Tasmania there has been quite a disappearance of boarding house type accommodation. I can remember about 10 to 15 years ago there were probably about six or eight boarding houses or rooming houses around Hobart, whereas now there is only effectively one and that is an environment where, in all honesty, the strong get stronger and the vulnerable perhaps get taken advantage of because it is a commercially-run operation. So that is another thing that puts pressure on those people.

I think there was a gross underestimation years ago when the Government went down the path of deinstitutionalisation. There is nowhere near enough supported accommodation for people with complex needs. We have a 30-bed facility plus another eight accommodations off site. About 60 to 70 per cent of the men we accommodate would have some form of ongoing mental illness. In all reality often in the SAAP service system we are probably managing in some degree more complex clients than the minimal specialised mental health accommodation service providers.

**CHAIR** - So 60 to 70 per cent of your clients -

**Mr BENNETT** - Would have ongoing mental health issues. Then there would be some of those who would be coupled with substance abuse issues and so on, which can often go hand in hand when people choose to self-medicate.

**Ms FORREST** - What sort of training do the staff at Bethlehem House have to manage that because it does not seem to be designed specifically for that purpose?

**Mr BENNETT** - We are set up in some ways as a dual service where our commitment to government is to provide 12 crisis beds plus two overnight emergency beds and then we have another 17 single beds. That is at our premises at 56 Warwick Street. We have just recently purchased a four-bedroom property adjacent to where we are which we are going to operate as a shared house. We have done that because we are passionate about creating extra beds. Over the years we have had a few bequests of money left to us and this property happened to come on the market so we are operating it as a shared house. We can put some men in there who have the skills to live independently and that will then free up some beds in the house. To answer your question, our staff would have all the available training that is around in relation to working with people. Some of them have community services qualifications, TAFE qualifications, but certainly none of the

staff - outside of the training that becomes available - have specialised mental health training. Some of the things we pushed very hard at and we got. We have had a number of meetings in the last couple of years with Mental Health Services on a statewide basis and we have pushed very hard for recognition that mental health sadly is a big driver of homelessness and that there just are not the options there. We have said we will acknowledge that and we will accommodate these people but on the basis that we can get the specialist interventions when we need it. We have set that up and we do get a good response from Mental Health. It still can create a level of angst in the house while things are happening.

**Mr BRENNAN** - I am a member of the State Social Justice Committee of the St Vincent de Paul Society. I will just say a little about the St Vincent de Paul Society. Gary's work is referred to by the society as a special work, so is Louis Van. Louis Van goes to a number of key points around Hobart metropolitan area every night of the week and provides soup and sandwiches and contact with people who are sometimes living rough on the streets of Hobart. They have recently announced they are expanding that service to Bridgewater and a couple of other points including Glenorchy. At all points of that special work they will be encountering people who are dealing with housing stress and issues like mental health that Gary is talking about.

The work of our Social Justice Committee draws on the other major aspect of the society which is home visitation. The St Vincent de Paul Society is Australia's largest welfare organisation in membership. It is not widely known and we do not trumpet that too much. But all over, in every little church parish there is a group of 3 to 12 people who are meeting and they have requests of assistance every week and they visit them. With this Social Justice Committee we canvassed our Tasmanian conferences just in the last month, six weeks, to tell us some of the accounts of the people that they are experiencing and to get some quotes. I thought it was really powerful to come and deliver them to you today so you can hear right from the horse's mouth and from those who are visiting them what the real issues of housing stress are for people.

Just let me say before I do that that I acknowledge this is an extremely complex matter and I really commend the committee for addressing this and the House for giving it priority. I know that it is a Federal issue and it is a State issue that has tried a number of different strategies over many different years. Please keep pressing it and exploring options such as you were just hearing about because I think we are in for a rougher ride in the next few years following the housing boom and listening to the American market sub-prime crisis recently and if you can recognise what that is going to do in the housing market - lower and middle-income people are really going to wear it in the next five years.

Here are some quotes from people: 'We do not know where to turn'; 'We just cannot afford the rent'; 'It is taking too much of our income'. There is a conversation going over someone's kitchen table and that is what they have said and the members have written that down so I just thought you would want to hear that. 'We have to rent in the private sector because we cannot get government housing, the waiting lists are too long and the rents are so high. By the time we pay the rent there is not enough to live on'.

They are not being technical, they are not giving detail, they are just saying what their experience is. I have a couple of accounts here that come straight from members who



have written up their experience of visiting someone and they have changed the names of people but they have given me some names, their own names they have used: 'Cathy and her partner have had to leave their rented home and take shelter in not much more than a humpy'. This is someone visited in the last six weeks. I think this case was on the north-west coast. 'They had two children under two years. A job loss has forced them out of their previous home as they had no money to pay rent and keep up with the other bills. Without money Cathy calls us to help her feed her kids. It will be a long wait for public housing'. We sent them a letter and said we would like you to give us some quotes and to give us your own account and just send them back to us and that is all that has happened. This is verbatim from members of the society.

Another one: 'We have visited a single mother who receives approximately \$742 per fortnight in benefits. Her rent is \$380 per fortnight which is 50 per cent of her income. This leaves very little to live on. After paying Aurora for power, telephone and other bills we calculate she has only \$132 per fortnight to live on'. You find in the statistics a definition of housing stress is quite radical.

Another couple: 'A single man separated from his wife living in a small two-bedroom unit located in a block of eight similar units. The rental has increased from \$115 per week to \$165 per week over a 16-month tenancy and is expected to rise again prior to Christmas 2007'.

I was speaking to a treasurer at a conference at East Devonport and she was telling me their experience of rental costs just five years ago, just prior to the boom, if you spent what you have to spend now you would be in executive accommodation in Devonport. If you talk about something costing \$220, \$240 you would have had something very slick just five or six years ago.

'A mother and two teenage children living in an old weatherboard cottage with rental of \$150 per week. The property was sold to an interstate buyer and the rental increased to \$250 per week. She and her kids were forced to move to cheaper accommodation'.

The whole issue of housing is not about which door you open with which key, it is about people's relationships to where they live, proximity to work, proximity to schools, capacity - if they have got a licence - there are accounts of people we have received that people are really inconvenienced by their transport issues. The housing issue is not just about bricks and mortar, it is about the whole human issue. The society could advocate that voice today.

I have read over the paper being prepared by TasCOSS, Kathleen Flanagan, that I know you will receive or you may have already read it. We are very impressed with that. The society is a member of TasCOSS and we really acknowledge the work they have done in collaboration with Anglicare and Shelter to put that paper together. We like the way that is raising the questions of not just those at the extreme low end of the market but the middle-income people too who are going to feel the pressure. We think the solutions have to be not only at crisis end - although I am not taking away anything that Gary said about the needs at the crisis end - but if we do not also look at the middle parts of income and the lower middle income and find real solutions for those people then that is obviously going to press the most extreme people.

We need to have a comprehensive social housing issue and that cannot only be public response. It means that agencies like ours and others that are making presentations can be part of the solution because we have an insight into the real issues people deal with. We need to have a model of housing and a model housing policy which really meets the complexity of people's social problems. That is an overview of what I needed to say to you.

**CHAIR** - Thanks, Tony.

**Mr BRENNAN** - No worries.

**CHAIR** - It is an important voice you are articulating there.

**Mrs RATTRAY-WAGNER** - In your submission, Gary, you indicated that it would be useful to extinguish the \$25 million debt.

**Mr BENNETT** - Not the \$25 million. The worked-out figure is slightly over but it is the ongoing debt. The CSHA expires I think in June next year. I think my \$25 million might be slightly high; it is about \$21 million or \$22 million but allowing for that, about \$17 million or \$18 million of that goes straight back to the Federal Government to service the longstanding debt, which means that in effect I guess you have a public housing system where they get on the one hand x number of millions and about 70 per cent of it goes straight back to the Federal Government to service debt, which means I guess to be fair to the State Housing department they are working on a much lesser amount of money. In an ideal world if they had the full value of that money then they would have far more options to do a whole lot more with the \$21 million or \$22 million than they would with the small amount that is left over when they service the debt.

This has been a long, festering issue which I know from wearing my other hat with Shelter Tasmania. The Federal Government has talked about their massive surplus. I think it is quite scurrilous when you have a lot of needy people out there to be carrying such a large surplus. If they were fair dinkum in responding to a housing need then they would look across the board at all these State debts because I think the majority of States -

**Mrs RATTRAY-WAGNER** - I am sure we wouldn't be on our own.

**Mr BENNETT** - No. I think, and I am not a hundred per cent sure of this, one of the States might have cleared their debt from within their own resources. I might not be accurate on this but I think in one State, one government a number of years ago took over the debt and extinguished it themselves. They made a conscious decision but it would seem that if we are talking about all the tiers of government it really has to be a total commitment between Federal, State, and the other partner that I think tends to get let off or at the other end of the scale is certainly local government. There are a whole number of areas where local government could play a role.

We have certainly seen in Hobart in recent times two or three examples where affordable housing has been put on hold. We have seen the example of the accommodation option at Claremont, The Pines, which would have accommodated about 30 or 40 people and a similar one in the Hobart City Council area in Fitzroy Place. Another one that has

surfaced over the weekend in the paper but it has been one I have been aware of for some time is the extension and development of a council car park to the detriment of an accommodation option. As well as the Argyle Guest House being a real key provider of housing for people in hospital or waiting for hospital or families thereof, they also did provide accommodation for people on low income. Ruth Howie, who ran that, was an accommodation provider to people in the sector. So, again, I guess we have a very centrally located number of beds - I think Ruth has up to about 25 beds - that are now disappearing out of the equation so that is another housing option that goes, all to the detriment of development.

**Mr BRENNAN** - We were saying before that someone should write a history of boarding houses in Hobart. It is a history of closures. We can think back to 20 years ago when there were literally hundreds of beds in that kind of crisis bottom-end market area - there was the whole complexity of the market - but that has disappeared in large numbers.

**CHAIR** - Tony, the committee has received a submission from a private resident and it concerns you so I want to give you the opportunity of putting your side of the story on the record. We have received a submission from a private resident which claims that institutional cluster accommodation and housing 'serves to create a subgroup with its own standards of acceptable behaviour frequently at odds with those of the wider community'. It goes on to specifically describe Bethlehem House as 'a poor solution'. A submission that was also received from a significant city council was also critical of boarding house type models. Is there any truth in these assessments? How many people do you think should be housed at a facility like that at any one time and how long should they be allowed to stay?

**Mr BENNETT** - For those of you who may or may not recall, at the time when the Fitzroy Place thing emerged, which was going to be a 27-bed facility, there was a letter in the Letters to the Editor which we took fairly strong umbrage to from a particular person that was, I am presuming, a resident in that area, talking in terms of people making a lifetime commitment of working many hours and why should they be subjected suddenly to homeless people or people in lesser socioeconomic circumstances.

To probably answer the broader question, my experience is there is certainly a significant number of people that do not have the capacity to live independently. It would be wonderful if there were a number of flexible options. A model that does not exist to any degree is a cluster of accommodation - a cluster of units with support and so on coming in. I can only talk on the target group we work with, but I am also across some other types of boarding houses in other States. I think there is always going to be a fairly significant number of the population that do need to be in some level of supported accommodation. When they are full, which is most of the time, we have 30 men on the premises. That can be a challenge. I have been Manager for three-and-a-half years and our target group is from 20 upwards. We tend to get very few who are 20 but we have some that are in their late 20s and our eldest resident at the moment is 78. We have a couple of others in their 70s. So it is a very diverse age group and they are sharing a lot of the communal areas. They have their own bedrooms obviously but there is a general blending in together. Even though there is such an age disparity or can be, they tend to respect each other. We have very few issues outside of a situation if a person becomes unruly because their mental illness, and we jump on that. We have, in all honesty, very few issues of any major conflicts to manage. There is then the option, if you looked at it

from another aspect, of people in their own independent accommodation and then support coming in to make sure that those people were coping. The argument would then be where is the support going to come from? We have certainly had situations ourselves where we have worked in scenarios where people are promised support but often that person is housed and then the support does not eventuate. It is weighing up that model. Is it better to keep people together in a supportive environment where they have social interaction with each other? When you are on a very low income there is very little option for social interaction with the general community. Most places you need to go to cost money. We provide not only their accommodation but we also provide outings. We have our own bus which we specifically purchased as a people mover so we can take our residents on outings. So in the model that we utilise we are providing not only beds, meals, support - we are manned 24 hours a day so we have staffing on board for support - we have a whole range of referrals, we can get special interventions happening and we can also engage the men in a whole range of other activities.

We have six or seven of our men as of next week starting a cleaning course through Willson Training Centre so we are proactive in trying to assist them to develop themselves, look at other options, so we certainly encourage motivation and support for each other. We certainly have, I guess, standards on how people live together, what is acceptable behaviour, but I generally think that provided the facilities are well run, that the people are cared for, that people are motivated and activities are, that it is certainly a reasonable model.

**CHAIR** - Is there an alternative?

**Mr BRENNAN** - The question is going to be a major issue for this committee in terms of what policies arrive. If you look back at the history of housing strategy policies, the model of a clustered complex - Bethlehem House is obvious; it sticks out on the hill, it has a sign on it and it has its own van - we established in the early 1970s to mid 1970s the strategy of the large broadacre housing estate model. I read a research paper by the Housing department in the mid 1980s that acknowledged that that was a flawed policy even then. They knew 20 years in advance of England and America that such a dedication of housing stock in one place without services, support, transport, employment, policing failed. I think it took 12 years to put the police station in at Bridgewater. I think for what strategy you now propose and the Government projects in terms of an affordable housing model for Tasmania you can see the strategies that have been tried and failed. You can see some strength too for a housing infill model but you know that people in the area are going to complain about their housing property values and you see it whenever there is a suggestion about what you do about Peacock or a mental health institution of some model. People will complain. The society is happy to take those complaints because we know that we are providing a service for people in crisis but what about if you are trying to provide something for single mothers? What about the fact that in the next five years more and more the people who are going to be feeling housing stress and maybe fronting the society's Louis Van for a blanket will be a mum and three little kids? Earlier in the year a family of five kids presented to the van for tea. The youngest was four or five years old. That was in Glenorchy.

The human reality is if you come up with a housing solution you are going to have to wear public complaint because people do not like it in their street. I was talking to the Glenorchy mayor at a function I went to the other night about the numbers of single

mothers who probably benefited from a fairly blanket Federal policy of the baby bonus and maybe their choices are not the ones we would hope they would make but nonetheless they made them and they need accommodation in the Glenorchy area but unfortunately that facility that is just up the road from the primary school will not be available to them possibly. That is the knife edge that this committee and this Government is on and we as a community have to deal with.

Our leaders, our moral leaders, have to say to us as a community how generous are we, how welcoming will we be for the people who are going to be pressed by not just the fallout of the building boom but the fallout that is going to happen with a tighter economy in the next four or five years.

**CHAIR** - A large part of the problem with this is the perception about your clients. As an example, I was asked to chair a public meeting about that particular development and after 20 years of chairing public meetings it takes a lot to shock me but some of the comments were shocking. At various times of the meeting the proposed client base were child molesters, arsonists, murderers, rapists.

**Mr BRENNAN** - Terrorists.

**CHAIR** - Terrorists. How do you overcome that stigmatisation?

**Mr BENNETT** - I think that is the sad thing because of the perception. There is still that broader perception in the community and I think sadly a lot of the care has gone out of the community and I think that starts right at the top from a national and a Federal basis. It has suited them politically on occasions to spout the fear policy but I think sadly the starting point has to be to turn round that community perception, which is not easy. You are right; I was not at it but I did hear some of the feedback from the meeting. Sadly what happens is that if you get negativity hitting the ground, and I really feel sorry for them from the housing perspective with that development, it is very hard to turn it back. You only have to get one or two spruiking negativity about what could happen if these sorts of people are going to go there. I think it has to go back to looking at changing the community perception of why people are homeless. There will always be a percentage of people that may be homeless through bad choices. None of us would deny that but there are also a whole heap of other people that never asked to have a mental illness, never asked to have whatever their circumstances are, yet they are all categorised in that same big category that if you are homeless it is your fault. A lot of the work has to start at trying to somehow change that community perception. There are people out there that are more disadvantaged and for a variety of reasons they may be sleeping on the street but it is not necessarily always their choice. How we do that I do not know.

**Mr BRENNAN** - And not just the homeless but people who are dealing with housing stress. They could be families and it still sticks in my craw about the \$15 million that we managed to put 'Tasmania' on the Hawthorn jumpers with because I know that that could have enabled the Housing department to resolve a lot quicker some of the Affordable Housing Association's legal issues; it could have enabled us to do proper consultation which is education. Not just asking the community but educating the community about who are suffering, who are at risk of homelessness, who really are homeless. Great things have happened. I think we have seen great things in the Australian community educating about mental health in the last 10 or 15 years. It is possible for us to educate

about social poverty in Australia. Unfortunately we prefer it to be invisible. No Federal politician is standing up at the moment and saying, 'Let's have a war on poverty' because Australia does not see itself as having an underbelly or if it does, you turn that page over in the paper. Really, this is a problem that our organisation and others are going to start ringing very loud alarm bells about. We always complain about the issue but I think we will start to get very sharp in the next five years. If there are not policies that are really about social education and complex social collaboration responses rather than just dumping money on it then I think we are going to have a serious impact and I think they will notice more people on the street and that seems to be an indicator. Men or women who will sleep in a doorway, even in Tasmania, will happen more but I know already agencies that have had to turn away families in Tasmania. That is going to be something that is going to rock our sensibility of what we are as a State, as a community, if we cannot do that properly.

**Mr BENNETT** - Sadly, at the end of the day you have a person either presenting at hospital, yes they may be unwell, but they are effectively presenting at hospital for a bed. Men, and we have experienced it, will reoffend to get accommodated somewhere else. To me, that is a totally sad reflection on society.

**Ms FORREST** - It is a failure of the system, isn't it?

**Mr BENNETT** - It is a basic failure of a system. So I guess whilst I suppose a lot of what we have concentrated on is at the sharp end of the market, it still is very much a consequence at the top because where the squeeze happens at the top eventually you are going to get people squeezed out of the bottom and I think, sadly, that figure is going to grow. I suppose the other thing that really annoys me is where you have a Federal government that is spruiking very highly about how well the economy is going yet a whole heap of people out there - and we are not just talking about those who are not working but middle-income people and lower-income people who are working - would not see any benefits from a booming economy. Often they are faced with increased prices.

**Mr BRENNAN** - Yes, and regarding that economic policy that is about, I suppose, demand-side economics where you free up things in the market so the people can profit more and that will trickle down and will raise economic opportunities, there is a place for that but there has to also be economics that say we are going to have to have a State solution, we are going to have to have a solution whereby the social content takes responsibility for people, particularly those who are most at risk.

We probably need to make sure that something is said around this table about crisis accommodation for families in Tasmania because -

**CHAIR** - Is there any?

**Mr BRENNAN** - There were services provided I know through the Catholic Church through Centacare a number of years ago. The society has a number of facilities. On the north-west coast we have one. I do not think that is well served and I think that is going to get really pressed in the next few years so that is going to be something which we will do more research on and come back to agencies to advocate more about it.

**CHAIR** - Is there anything in Hobart?

**Mr BENNETT** - No. There is one shelter that has catered in the past minimally for families and that is in Burnie - Oakleigh House. That is the only one.

**Ms FORREST** - That is the Salvation Army one.

**Mr BENNETT** - Yes, the Salvation Army one.

Sadly, if there is a family and that is the only thing they probably have, themselves holding themselves together and everything else is suffering, the situation, I guess, we are forced to look at is, if you have a couple with children, they have to separate, which is obviously not as palatable and then, of course, that can be the start of a whole range of other issues which means the male could try to get a bed with us and then if the female was fortunate enough, and the demand on the three female shelters in Hobart is just as high as it is with us, she and the children would try to access one of the three female shelters in Hobart and the male would come to us which means straightaway you then have a separation, which creates a whole lot of other dynamics too. Obviously with female shelters unlike a male shelter there is a whole range of confidentiality issues and those sorts of things. I guess if you are working with couples where they are splitting there is some potential for breaches of addresses and that sort of thing.

**Mrs RATTRAY-WAGNER** - I know the Door of Hope put up a proposal for -

**Mr BENNETT** - Yes, I went to that meeting in Launceston.

**Mrs RATTRAY-WAGNER** - family accommodation but received no support from the department and could not get anything off the ground.

**Mr BENNETT** - From our point of view in an ideal world there needs to be a range of different options and I suppose it comes back to your question, Terry. We would obviously say there are some men who would come to us but also the same could happen with women. Shelter type accommodation is not the best option for them because not everyone can live within a social mix of other people who are in their place with complex issues with children but in reality there are not the other sort of options out there. It would be nice, as I say, if you had some sort of separate accommodation options out there where you could have the support in another building, you could have a communal part to it, but there is not the range of options that would meet each person's needs.

As I say, sadly I think and certainly from what we are seeing it is the sheer numbers - and I suppose even in recent times we are seeing men who come to us who probably in the past not that many years ago would not have needed our service. We do have some who do present who do not have any particular complex issues outside of nowhere to sleep. I guess that is another indictment that there is just not enough housing. If they had somewhere to rent then they would not need our service.

**CHAIR** - I am very conscious of the time. I have let it go a quarter of an hour over.

**Mr BRENNAN** - You are very naughty, Terry. Can I say one final thing? The State committee was anxious to say, and it is really endorsed by the TasCOSS paper you have heard about, that we need more housing stock in Tasmania. We need more houses in order to take some pressure off the rental market which at the moment does not have enough vacancy flow-through; it does not have enough access. The most dignifying thing is to have access to something you are paying for yourself and if you cannot own it at least you can rent it. There has to be attention to that as a priority, I think. One of the strategies that needs to be arrived at is whereby you can have more people access the housing in Tasmania and have clearance from the hold-up in policy and dollars from government to allow the Housing department to do that properly. Also the stock we have now should be maintained and it should be made sure that it is not substandard - not letting go of what we have. I think it is urgent.

**Mr BENNETT** - I guess that those who are in the private market are subjected to probably having substandard accommodation impacted on them because the housing is so desperately short. Tony mentioned examples of where you have families living in pretty grotty accommodation because there is nowhere else. I guess from our perspective we effectively need more housing on the ground now, not more consultations.

**CHAIR** - Is there any chance of tabling your information, Tony?

**Mr BRENNAN** - What I have here is a draft that my committee has not completed. It is an issues sheet that we are producing.

**CHAIR** - Could you submit it in the next couple of weeks?

**Mr BRENNAN** - Yes. In the next fortnight I will send that to you. This material is only very recent. We only received it in the last week from the consultation in August.

**CHAIR** - Thank you for your submission.

**THE WITNESSES WITHDREW.**



**Major JENNY BEGENT**, DIVISIONAL SOCIAL PROGRAM SECRETARY, TASMANIA, AND **Mr JED DONOGHUE**, SALVATION ARMY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Martin) - Welcome to the committee and the hearing and thank you for your submission which we have all read. If you could give us, say, a 10-minute overview of your submission and then we will go through each term of reference in order and ask any questions that we have. It is over to you.

**Mr DONOGHUE** - I guess basically I reiterate what is in the introduction and also the conclusion.

The Salvation Army believes it is the right of every individual to have affordable, appropriate and secure accommodation and they feel that is achievable.

Affordable housing, as you have no doubt heard many times, in terms of low income earners applies to anyone who is paying less than 30 per cent of their household income to rent in order to avoid after-housing poverty.

Our research suggests, from academic papers, that the demand for affordable housing was initially driven by the contraction of low-cost rental housing in the private sector between 1986 and 1996. The number of low-cost properties less than \$100 per week nationally fell by 28 per cent. Nationally there are over 250 000 low income earners paying over 30 per cent of their income in rent and all are at risk of after-housing poverty.

In Tasmania in 2004 it was estimated that there were 21 000 low income households who were experiencing housing stress, so they were paying more than 30 per cent, and in 2006 it was estimated there were 26 000 people in housing stress in Tasmania.

As Macquarie Bank indicated in 2005, in Tasmania house prices are at historic levels. There has been a threefold increase in the cost of housing to purchase and that puts more stress on the private rental market which is 20 per cent of the market nationally. Traditionally 70 per cent of people are into home ownership in one form or another - 30 per cent owning and 40 per cent buying. That varies around the States.

The growth in average prices has been very high; it has been above the average in Tasmania. Tasmania has been catching up since 2000.

The interesting statistic for us was that during the census in 2001 in Tasmania there were 2 417 people who were homeless; 13 per cent were accommodated using SAAP services.

**CHAIR** - Thirteen per cent; 87 per cent weren't?

**Mr DONOGHUE** - That is right - 314 people were. Obviously it suggests that we are not meeting the demand with regard to people who are totally homeless. There are a number of different levels of homelessness - it is like Dante's *Inferno* - but the majority of people are staying with friends or family. Over 50 per cent are on people's floors or in their spare rooms so they do not have secure, affordable accommodation. That means that

their children cannot go to school on a regular stable basis because of that insecurity. It also means that there will be stress in terms of their relationships with family and friends and there is a revolving door; people have to wait to get into the limited number of SAAP places and there is a limited number of people in category 1 in terms of public housing access. So the supply is not addressing the demand and we believe that we collectively have to do something about that.

We suggest that there needs to be a Tasmanian as well as a national affordable housing strategy so that we have a plan to move forward over the next three years. We need to increase the supply of community and public housing. We recognise that the State Government has invested in land and put financial resources into the Tasmanian Affordable Housing organisation but the Salvation Army does not think that is enough.

There is a notion that we will reduce the supply of public housing to 10 000 properties in Tasmania. We think that the supply of social housing, which is public housing and community housing, should be increased by 1 200 properties. That would only address half of the demand of people who are currently on the public housing waiting list. There are over 2 600.

We feel that the levels of funding by the State and, of course, the Commonwealth, which I recognise is outside your control, should be increased and we would suggest by at least 50 per cent.

**CHAIR** - We will be making recommendations most likely to the other tiers of government as well.

**Ms FORREST** - Can I ask a question about the homeless figure?

**CHAIR** - Yes.

**Ms FORREST** - I know the figure was collected from the census but from your experience would you say that is a fairly accurate representation of the homeless numbers or when you are dealing with people on the ground so to speak would you say it is an under-estimate?

**Mr DONOGHUE** - I would say it is an under-estimate because what you find is women tend not to say they are homeless if they have children because they feel it might be counterproductive or that they invite some intrusion -

**Ms BEGENT** - Statutory investigation.

**Mrs RATTRAY-WAGNER** - And may lose their children.

**Ms BEGENT** - Yes.

**Ms FORREST** - So what do you think that figure really should be? Do you have an idea? In Tasmania I am talking about.

**Ms BEGENT** - I would estimate between 15 and 17 per cent of the population given that it is 13 per cent at present. I think it is significantly higher than that 13 per cent. It will be

interesting to measure it today, given the crisis in affordable housing. We were only just entering the phase in 2001 when the census occurred and I think we might find that there has been an increase but also a difference in the demographics of people seeking accommodation.

**Ms FORREST** - These are the 2001 census figures?

**Mr DONOGHUE** - Yes.

**Ms FORREST** - The 2006 census figures?

**CHAIR** - We do have updated figures.

**Mr DONOGHUE** - In the first six months of the year our community support program saw almost 5 000 people with 3 113 children. Forty-five per cent of the people who came to us for some kind of emergency relief and support indicated that they were in housing stress.

**Ms BEGENT** - Housing stress if not homelessness.

**CHAIR** - It is a bit frightening when you look at the bottom of page 5 where you say 30 per cent of the women and children left the program without a forwarding address -

**Ms BEGENT** - Yes.

**CHAIR** - 948 requested accommodation of you but could not be housed.

**Ms BEGENT** - That is right. Some of them would have returned from whence they came but that is not always a successful outcome given that they are leaving violent situations. Often their only option is to go back into the violent situation.

**Mrs RATTRAY-WAGNER** - To get a roof over their head.

**Ms BEGENT** - That is right, and the difficulty with that now is that the reason they no longer tell us they are going back is that we are mandated. If a women returns to a violent situation there is a mandate around the legislation requiring us to notify the children being again at risk so they are more likely not to say where they are going.

**CHAIR** - The Safe At Home legislation?

**Ms BEGENT** - That is right.

**CHAIR** - It mandates you to -

**Ms BEGENT** - To inform the legislative body that they are returning their children to a violent situation so they are more likely to not tell us, even though we can make the assumption that that is what has occurred.

**Ms FORREST** - So these are some of the ones who have left no forwarding address?

**Ms BEGENT** - They just leave - go out one day and don't return.

**CHAIR** - Dealing with term of reference 2, the impact of a lack of affordable accommodation, are there any questions on that?

**Ms FORREST** - We did hear from Bethlehem House that 60 to 70 per cent of the men they accommodate have mental health issues. Would you say that would be a similar figure for the people who you deal with?

**Ms BEGENT** - Yes. It is a fairly high figure. Probably our predictions would be an even higher figure and they generally go hand in hand anyway.

**Mr DONOGHUE** - There is some debate within the sector with regard to whether that is a consequence or a cause of homelessness. There are two things happening. Some people who have some mental health issues are more likely to be homeless or at risk of homelessness but also with people who become homeless there does seem to be a high proportion who develop mental health issues as a coping mechanism.

**Ms FORREST** - Depression being one of those common, is that one that you would experience more? I am sure there is a broad range. Is depression number one?

**Mr DONOGHUE** - Yes. Depression is a big one and it is also a big one for some people who are in social housing but who are isolated because they have not been allocated properly in an area where they have support. They have the roof over their head but no support mechanisms, professional or family.

**Ms BEGENT** - Or social. I guess in the impact of the lack of affordable accommodation one of the things that we have that we have learned over the last few years is the increase in the number of single men with accompanying children. That is a recent phenomenon not an historical one but more and more, particularly in our men's program, we are seeing men who have either access rights of a weekend or have the sole custody of the children.

**CHAIR** - Is there any crisis accommodation for them? None in Hobart?

**Ms BEGENT** - None at all for men with accompanying children.

**CHAIR** - Or for families?

**Ms BEGENT** - Or for whole families. We do try to accommodate whole families in some of our Salvation Army-owned properties but it is certainly not a government-funded service. We do it off the side of our desks basically.

**Mr DONOGHUE** - There is some transitional accommodation for men with children but not emergency accommodation. The only way to get into the transitional accommodation is via emergency accommodation.

**Ms FORREST** - Is Oakleigh House classified as transitional accommodation?

**Mr DONOGHUE** - Oakleigh is emergency.

**Ms FORREST** - They take in families?

**Mr DONOGHUE** - They take women, children and men.

**Ms BEGENT** - But it is an emergency service. In the SAAP service system you cannot get into transitional housing without coming through an emergency crisis service first.

**CHAIR** - If you look at the limitations of current strategies, is the Salvation Army a stakeholder in the Tasmanian Affordable Housing Limited?

**Ms BEGENT** - Yes, we are.

**CHAIR** - One of the issues that has been raised over the last two days by a number of agencies is that apparently the rules, now it is up and running, won't be taking category 1 waiting list people, is that right?

**Ms BEGENT** - I am not certain that we have agreed to that but it has certainly been proposed as something we might look at, yes.

**CHAIR** - Is there a reason for that?

**Ms BEGENT** - I only heard it recently too so we have not been able to pin that down. I suspect that the Affordable Housing Strategy is going to depend on people paying their rent and people who genuinely use category 1 housing have high social needs. The rent is not always their first priority so they are a risk and this affordable housing corporation has to pay. I do not know whether I can be any more blunt than that. It has to pay.

One of the other things we are concerned about too is the level of rent requirement which is above the recommended 33 per cent so they will be asking people coming in to pay more than what is considered -

**CHAIR** - In the housing stress level?

**Ms BEGENT** - Yes.

**Mr DONOGHUE** - We were involved initially in the process of developing the organisation. However we do not have a seat on the board so I was not aware that they were not accepting category 1 applicants to Housing Tasmania.

We are aware that what they are suggesting is that they will charge 30 per cent of somebody's income and take the 100 per cent of the Commonwealth rent assistance, which we do not do on our properties.

**CHAIR** - We do have them coming in so we will be able to pursue that further with them.

What is the Salvation Army's view on the strategy of TAHL?

**Ms BEGENT** - Not enough - too small, too late.

**Mr DONOGHUE** - It is early days, to be fair, for them to see what they achieve and produce and what social and individual housing outcomes they can achieve.

**Ms FORREST** - Acknowledging your comments about why category 1 people may not be appropriate tenants for that sort of program to be effective and work and to be sustainable, which is obviously what you want, a sustainable service, and taking pressure off that upper end of people in categories 3 and 4, do you think that will have an impact on the demand at the lower end for categories 1 and 2 people? It might be in the wrong terms perhaps but do you think it will or is it not going to address the problem in any way that you can see?

**Mr DONOGHUE** - My understanding of the housing assessment system which categorises people or applicants for housing - it is not totally clear and apparent because it is not on the web so you cannot read it, which it should be, like all their policies and procedures, it being a public department - is that people are assessed not just on their housing needs but on their health needs and other particular needs. So if you provide a house for someone who has a higher level of complex needs, that may address their housing issues but it does not address their health needs or their other needs in terms of their relationships or addictions. So in a way we set people up to fail because we have to address those needs which they have been given the house on the basis of.

**CHAIR** - One of the issues is that TAHL is really a substitute policy for the Affordable Housing Strategy 2003 and really regarding the money that that was providing for Housing Tasmania to purchase new properties to address the waiting lists of category 1 applicants, if TAHL is not doing that then there is really no-one doing it for category 1. Is that your opinion?

**Ms BEGENT** - Yes.

**Mr DONOGHUE** - Category 1 is a strange phenomenon and category 2 as well. It does not exactly tell you whether someone will pay their rent or not. It just tells you that at their interview they were able to convince the person filling out the forms that they had a high need.

**CHAIR** - Basically as I understand the definition, you might correct me if I am wrong, either the person is assessed as being homeless or they are living in a situation that is considered potentially dangerous.

**Ms BEGENT** - Potentially dangerous, that is right.

**Ms FORREST** - So that does not say anything about their capacity to pay rent or not.

**Ms BEGENT** - No.

**Ms FORREST** - So potentially there could be people in categories 1 and 2 who would have the capacity to pay rent but it is not assessed in that process. Do you suggest from that that the categorisation should be reviewed?

**Ms BEGENT** - Absolutely, and it needs to be reviewed. With women who are accommodation in the refuge, if they are trying to access public housing of their own

volition without a support worker they will more than likely be allocated category 2 because they are considered to currently have a roof over their head because they are in refuge. If you have a support worker with them they will put them into category 1. There is no rhyme or reason to the categorisation at all.

**Ms FORREST** - Do you have a suggestion as to how the categorisation should occur, what things should be considered and a better way of doing it?

**Mr DONOGHUE** - I think it would require some finetuning and some transparency. I do not think that our system is inherently wrong. It needs to be a little bit more open and transparent so that we are all on the same page.

**Mrs SMITH** - The issue at the end of the day, though, is regardless of where we categorise them we do not have roofs to put over people's heads. Do you support that?

**Ms BEGENT** - That is exactly right.

**Mrs SMITH** - There have been some examples given of a concept where housing would come out of a State Government department and go into a government corporation, or a government business enterprise, like Metro, with subsidisation by a government or a government business enterprise where it runs its own business and that may dispose of some of this red tape categorisation and everything else plus allow them the capacity to utilise the stock to borrow against to build more houses. Have you a comment on that as against the idea that the Government must put in more money and we say it all the time that the Government does not appear to have more money all the time to put in? We are not using the asset we have to borrow against to build more stock. Would you like to comment on that?

**Mr DONOGHUE** - There are always risks with debt financing. I think that we do not have an asset in terms of our public housing. We have certain liabilities. The corporate model has some potential benefits in terms of borrowings and the partnerships because you do want to leverage more financial resource in but 85 per cent of that leverage is usually around aged care, people over 55, public housing or community social housing for people who are a safe bet or a low risk. People want a return on their investment so they try to reduce the risk in terms of who they will provide the housing to. I believe that that is the case with the bilateral agreements in some of the arrangements that TAHL has entered into.

**CHAIR** - So your worry is that if Housing Tasmania was turned into a GBE and run on business model lines, would they adopt the same strategies and not tackle risky category 1?.

**Mr DONOGHUE** - I am not sure if it is necessarily category 1 because, as we mentioned earlier, people in categories 1 and 2 may be just as able to pay their rent or willing to pay rent as people in categories 3 and 4. Maybe it is a probability that they may be less likely to, I am not sure. But there are some risks around that, that people would cherry-pick and so the question is who would deal with the people who are not willing to pay their rent or have addiction issues or poor living skills.

**Mrs SMITH** - So on that synopsis TAHL are cherry-picking so it is not a successful model anyway even before it starts?

**Mr DONOGHUE** - It depends on how you are going to measure their success. If it is in terms of reducing the number of people in category 1, if that is the outcome that the Government wants, and it does not look as if it is going to work then they are not going to do it.

**Ms FORREST** - You said that the housing stock is more a liability than an asset but when we look at the value of the housing stock that the Government owns, even in view of the outstanding maintenance debt that is unaddressed there is still a significant asset there -

**Mr DONOGHUE** - True.

**Ms FORREST** - so in a business model such as you are suggesting with that extra borrowing capacity and capacity to run it like a business, do you think it still would not work because of the cherry-picking type of issue?

**Mr DONOGHUE** - The nature of housing stock and its value has changed since 2000 because of property values. Now there is an asset value, yes, and there is a replacement value.

I am not sure of the percentage of public housing stock on broadacre. It is 30 years old, some of it is at the end of its usage and what has been happening is the property has been sold off into the private sector initially, not to tenants who could have bought the property, which is happening now, but when it was sold off to the private sector you created another tranche of low-level private rental which was not maintained, where you concentrated people who were exiting public housing into the private sector who wanted to make a quick buck. There are probably 400 small investors with a number of properties and they approach the property in a range of ways. In some cases they maintain it and in some cases they don't.

**Ms FORREST** - With an asset worth \$2 billion or \$3 billion, I know there are liabilities attached to the asset as well but with the capacity to earn money with that and use it for the greater good of people who need it on the ground, wouldn't that be a responsible approach for any government?

**Mr DONOGHUE** - Yes, and there is some potential out of that and there is more potential in certain locations than in others. With public housing we have concentrated on cultural poverty as well as economic poverty for the last 20 years but it is hard to change a culture because it effects the schools, it effects transport, it effects intergeneration poverty and that is what has happened since we have been targeting. Where you have a concentration of housing stock with concentrated poverty that is a big social issue.

**Mrs SMITH** - We had some figures given to us this morning on this concept of your asset and using your asset to put more stock on the ground because that is the critical issue, stock on the ground, not who can pay the rent and who cannot because that is what public housing is about; it is supposed to be comparable to their income, whether they are one income or whatever. Whatever is coming into the house, a percentage of that income is their responsibility for the roof over their heads.



We had figures quoted this morning for Rokeby, Clarendon Vale and Gagebrook: 1997, \$56 500 for a property value in Rokeby; 2007, \$182 500. If that Rokeby property at \$56 500 in 1997 has become \$182 500 in 2007, if a government business owns 10 of them they have the asset of over \$1 million to borrow on to build more housing. Is that a scenario that you can accept.

**Mr DONOGHUE** - Yes, that is a good scenario. The other side of the scenario is the operating income. Average rents in public housing are about \$65 per week and that does not -

**Ms SMITH** - But we subsidise Metro that runs as a corporation. A community service obligation it is called, to cover their running costs on the basis of the people in that transport system that pay less to be transported than others. So if there was a community service obligation would that encourage you?

**Mr DONOGHUE** - That makes a difference but I believe you have to do cross-subsidisation. In order to break even you have to basically have some people paying market rents and some people who are subsidised who are going to pay below market rent.

**Ms SMITH** - So you are saying the people that are on transport subsidising the people who have a pension card that travel on transport, even though it comes out of the general consolidated revenue of the State Government. So we all, I took the interpretation, are paying for the transport; whether we have Metro in our community or not we are as Tasmanians contributing.

**Mr DONOGHUE** - Yes. That is the only way you can balance the books.

**Ms FORREST** - You made a comment in your submission that you thought the First Home Owners Grant and the Commonwealth rent assistance had been inflationary. That has been a comment made by others not just yourselves. How do you see it could work better? Is there another way of providing support that you see would not be inflationary?

**Mr DONOGHUE** - Capital investment, building public housing actually reduces prices, especially if you are doing in-fill. Sometimes the property owners do not appreciate their values coming down but there is a community benefit for it because in-fill and a better mix of people with different life experiences and opportunities is a better outcome for everybody.

**Ms FORREST** - Rather than continuing or expanding the First Home Owners Grant, for example, using that money to put into in-fill particularly would have the same effect but in a roundabout way?

**Mr DONOGHUE** - Yes, and I think that you could redevelop certain properties, 50-year-old public housing stock, when people own a house on a quarter-acre block. A lot of people do not have the capacity to mow their lawn. You could put two properties on it.

**Ms FORREST** - And change the stock a bit.

**Mr DONOGHUE** - Yes, put two two-bedroom units on it - one private and one public. That is where you manage to get some investment. Even if the public housing was for 25 years, one or both of them can be sold on, depending on the amount of investment that was made by the public sector or the private sector. They would all have 25 years. We could get a return on that investment.

**DEPUTY CHAIR (Mr Harriss)** - Is it a reasonable conclusion that I draw from your report related to this term of reference and probably others as well that what you are really saying is to provide adequate shelter for particularly disadvantaged, let us call it social housing as opposed to the affordable housing concept, is in fact applying the principle of the fence at the top of the cliff rather than the ambulance at the bottom? Throughout your submission there is the proposition that decent shelter for every Tasmanian impacts on a range of other social issues so that we are building that fence at the top of the cliff. That is a fairly strong proposition flowing through your submission.

**Mr DONOGHUE** - Yes.

**Mrs RATTRAY-WAGNER** - I wonder, given that the Salvation Army has a strong footprint all over Australia, are there any particular programs that you could indicate to the committee that have been successful in filling some gaps in other jurisdictions that you are aware of?

**Ms BEGENT** - We have a Red Shield Housing Association here in Tasmania that operates, we were told by public housing, better than they operate and we are able to run at a reasonable business profit and we are able to maintain our properties. I think there are a number of those kinds of associations, not just from the Salvation Army around Australia, that might work.

**Mrs RATTRAY-WAGNER** - What about expanding that particular program out; you said you were maintaining it but are you expanding it as well?

**Mr DONOGHUE** - We will be keen to expand it incrementally because we believe that we have to provide focus on quality and not on growth. On the mainland there is a focus on large community housing programs which recreate the scales of economy but also the bureaucracy, unfortunately, of large State housing authorities. We find that if you have a good relationship with your tenants you get very good outcomes. That is the bottom line. With good relationships with the people you are providing the service to, a high level of satisfaction, you get very good social and housing outcomes.

We would like to increase our stock holdings but the transfer program has stopped so you are changing who manages the property so we are not increasing the supply and that is the downside.

**Ms FORREST** - You are not building any properties, you are just taking the properties over from -

**Mr DONOGHUE** - From public housing.

**Ms FORREST** - From Housing Tasmania?

**Mr DONOGHUE** - Yes.

**Ms FORREST** - And managing them. You said that they claim that you manage your portfolio better than they were able to. What differences in your management of the properties have led to that comment?

**Mr DONOGHUE** - We had an independent evaluation this year and the evaluator suggested our levels of tenant satisfaction were higher and he said that rather than looking at it from an economic model we are looking at it from a small scale, better relationships with the tenants, a more flexible and responsive service.

**Ms FORREST** - How do you select tenants?

**Mr DONOGHUE** - I would say 50 per cent of people come through word of mouth and the rest would be referrals from the State housing authority and from other NGOs.

**Ms FORREST** - Do you take people who may have had a Housing Tasmania debt?

**Mr DONOGHUE** - Yes.

**Ms FORREST** - You are not cherry-picking then?

**Mr DONOGHUE** - No, we take a slice of what Housing Tasmania takes.

**Ms FORREST** - Do you also manage properties to cater for disabled people, with, say, wheelchair access and other mobility issues?

**Mr DONOGHUE** - We have some properties which have wheelchair access. Currently we have 1 200 people on the waiting list but of those 1 200 there are 200 people who are active who aren't currently in a lease and are actively seeking accommodation and we try to match the person with the property so we do sensitive allocation.

**Mrs RATTRAY-WAGNER** - Hence put them in an area where they might have the support, as you indicated earlier, where it is not just about the roof over your head, it is the whole social aspect the service provides.

**Mr DONOGHUE** - We try to set people up to succeed so that they are going to stay there.

**Ms FORREST** - You might have 1 200 people on your list and it might be the person who was last on the list who gets the first property that becomes available potentially?

**Mr DONOGHUE** - We try to be fair in terms that we look at who is next on the list but then we say is that person the right fit for this particular property. The database of information that we have gathered suggests that women want to be close to family and friends, men are less likely to worry about that but they like to be close to the children's school, so we bear those things in mind. Basically you do not want people to get into a property and then want to move or leave; you want to do it right the first time. That is an economic outcome as well.

**Ms FORREST** - Is there any capacity or any plan within this Red Shield Housing Association to look at building new properties?

**Mr DONOGHUE** - It is outside our service agreement. We also manage 30 properties. The Red Shield Housing manages 30 properties for the Salvation Army and we utilise our resource there to maintain those properties because they are for people over 55. We have not developed a capacity to build, although we are currently building four units and a new centre in Creek Road - 63 Creek Road, Lenah Valley.

**Ms FORREST** - What has led to that then? Obviously the capacity is there in some form for you to branch out into putting new houses on the ground.

**Mr DONOGHUE** - That is because we have a SAAP service which is in West Hobart. The building is old and we cannot afford to maintain it so we figured it would be better to build a new centre on land that we had.

**Ms FORREST** - Is there a capacity to renegotiate your service agreement to include that in the future or is there not the capacity there financially within the organisation?

**Mr DONOGHUE** - Because we tended to look at purchasing, we purchased our office because we did not like paying a large amount of rent every year. We figured it was better to purchase the property.

**Ms FORREST** - It does not come back to getting more houses on the ground, though?

**Mr DONOGHUE** - No, but it does allow us more funds to maintain the properties that we have. We are in the process of renegotiating our service agreement with Housing Tasmania and I guess it is not just what we want but what they want. We are seeking clarification of that now.

**Mrs SMITH** - You mentioned that Housing said that you managed your properties better, you had more success and it was probably that closer relationship than interaction. Do you think there is an element of Thank God for the Salvos, as they say, with the tenants versus, 'It's my right, it is government and they owe me a roof over my head'?. I am trying to work out why management appears to be working in the community sector much better, on the evidence we are given, than the government department.

**Mr DONOGHUE** - I think it is the scale. Public housing tenancy workers anecdotally tell me of over 200 properties and they focus on the ones that are not working. That may be one reason, the number of households that each worker has to deal with, whereas we do a range of things; we deal with all the tenancy and property management issues on a smaller scale.

**Ms FORREST** - You have that more personal approach. The comment you made of Thank God for the Salvos, when you are out doorknocking for the Salvos or anything like that you get a response more than when people come in to talk to you about housing. Their attitude is quite different when they are talking about Housing Tasmania properties as opposed to others. It is probably a relationship you have built up over the years but I think it is something that could be fed into other organisations that provide housing.

**Mr DONOGHUE** - As I said before, we try to be flexible and responsive and have a good working relationship with our tenants. The number of staff you have and how they handle relationships will impact on the outcomes that they achieve and also on the reputation. All the workers at the Salvation Army are very concerned about the reputation of the organisation so they want to achieve a good outcome.

**Ms FORREST** - Do you rely on volunteers?

**Mr DONOGHUE** - No.

**Ms FORREST** - Not at all.

**Mr DONOGHUE** - It is professional, highly skilled work force.

**DEPUTY CHAIR** - As we come to the conclusion of the time allocated to this part of the hearing, can I just make an observation about your submission. There are a number of statistics that you provided in there. Some have not been provided with a reference. If we feel we need to be quoting any of that in our report and we are unsure of the reference we will write to you and seek the support for that statistical data that you have given us.

Thank you very much for being here to provide support to your submission and indeed the written submission itself. We hope to conclude our deliberations before this sitting year in Parliament ends. This is a really important and major issue. That is why it is the intention of the committee to report before the Parliament rises this year.

**THE WITNESSES WITHDREW.**

**Mr ALEXANDER DUNCANSON AND Professor ROWLAND ATKINSON, TENANTS UNION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.**

**DEPUTY CHAIR** (Mr Harriss) - Welcome, gentlemen. So that you are aware, the proceedings of this hearing are being recorded so that there will be an accurate *Hansard* record of the committee's deliberations and that will be a matter for public record at the conclusion of the committee's deliberations when we release our report.

We have received obviously your written submission and now we would like to hear a brief overview if you wish. We will consider this part of the hearing for about half an hour; it might be 35 minutes at the most.

Terry Martin the Chairman of the Committee has a longstanding arrangement which he could not avoid so he left the hearing at two o'clock today. I think he is going to return at some stage but it might not be during your presentation so please accept his apologies for not being with us.

Over to you for a brief summary if you like and then we will try to address the terms of reference when we ask our questions of you.

**Mr DUNCANSON** - Certainly. The Tenants Union, as you may be aware from our submission, is an organisation funded significantly by the Department of Health and Human Services to provide advice and representation to tenants around the State of Tasmania.

We operate a telephone advice line and we represent and advise clients on a face-to-face basis and negotiate on their behalf and also appear in court for them. Our telephone advice line is where we get a lot of our information and our knowledge about the areas in which tenants have problems around the State. We get between 2 500 and 3 000 telephone calls a year and we operate our telephone advice line mostly with volunteers as we are a very small organisation with very limited funding. Because we operate for tenants I guess that is our focus and we see that the majority of the debate around the housing crisis issue focuses on house ownership. However I think the statistics are that while only 20 per cent of our population are tenants, 60 per cent of the households experiencing housing stress are tenants so that is why we see the need to focus significantly on tenancy.

As the investment in public housing is diminished - I am not sure if we have any figures about that - gradually public housing is being eroded in the State. I think that is something that you may find evidence of.

In relation to the population of the State of tenants there is an increasing focus on the private rental market to find solutions to house people. We have found that the significant problems for our client base are that the regulatory environment, mostly under the Residential Tenancy Act, is very weak in relation to jurisdictions both around Australia and internationally. This, we would submit, is also directly related to housing stress experienced by people in this State.

Obviously the housing boom has raised house prices and rents in the State quite significantly and we get significant numbers of people experiencing stress in relation to that but we also have people experiencing stress in relation to substandard housing in the State and problems related to people not wanting to maintain premises, and in this State landlords are not obliged under the Residential Tenancy Act to maintain premises significantly.

So our submission has a number of recommendations and our first recommendation is that the Commonwealth and Tasmanian governments prioritise direct investment in public housing stock which we see is the most efficient and equitable way to provide housing to people on low incomes.

Our second recommendation is that the Residential Tenancy Act provide some mechanism for controlling rent increases. Currently the Residential Tenancy Act does not regulate that to the extent that other States do have their rent increases regulated. So in Tasmania where there is nothing stated in a lease, rent can be increased once every six months and there is no cap on that at all. So if a tenant believes that the rent increase is unreasonable then the onus is on them to go to court to provide evidence that the rent is unreasonable based on market rent and the magistrate will make a ruling, which is expensive and intimidating.

**Mrs RATTRAY-WAGNER** - It would be time consuming as well, wouldn't it? It would take quite a while to get to the court.

**Mr DUNCANSON** - That is right.

Often our experience in tenancy matters is that issues can get to court within a few weeks and under the Residential Tenancy Act a tenant will have 60 days' notice of a rent increase but our experience is that people do not do that. Even with rent increases of \$100 a week people don't make those applications to the court because of the expense involved. If a tenant wants to provide evidence that their rent is beyond market rent then they will have to get their house valued which can cost hundreds of dollars and you do not get that back. It is a no-costs jurisdiction in the Magistrates Court. It is very difficult. Because of the housing boom often the rent is being increased to market rent after a significant period of lagging behind. So significant rent increases can be simply, arguably, getting back up to market rent.

A further recommendation that we had is that there be a list of factors in the Residential Tenancy Act that could be determined or taken into consideration to consider whether or not a rent increase is reasonable. In the ACT, for example, rent can be increased once every 12 months but by a percentage beyond the consumer price index. If a property owner wants to increase that rent beyond that point then they have to make an application to a tribunal that deals with these matters. The tribunal would take into account such things as house improvements, increases in rates and land tax and so on and anything else that the property owner might be experiencing, whereas in Tasmania, as I said, the onus is on the tenant. We also recommend that under the Residential Tenancy Act the tenant have the option of terminating a lease, if there is a fixed-term lease, if rent is increased beyond the CPI. Currently we have numbers of people who have significant rent increases, as I said \$100, \$150 we have found, and if it is during a fixed-term lease commonly for six to 12 months, then they are stuck with it. Unless they can demonstrate

that it is an unreasonable rent increase then they do have to pay that otherwise they cannot terminate the lease. They can but they suffer consequences of breach of contract and so on if they do that. Our recommendation is that the tenant have the option of terminating the lease if rent is increased significantly and unfairly.

A very common reason for evictions in our experience is that tenants fall behind in rent, and under the Residential Tenancy Act, if that occurs they can be given a notice to terminate immediately. They only have to be a day late and they can be given a notice to terminate. They have 14 days to rectify the rent shortfall. If they fail to do that then an application can be made to court. There is no discretion in the court; the court has to evict them or make orders for vacant possession. If they do make good with the rent within that 14-day period then they can continue on with the tenancy. If it happens again, twice more within a 12-month period, then the owner can make an application to the court for vacant possession and again, the court doesn't have discretion and they are evicted. We recommend that before evicting there should be a negotiated repayment plan at least attempted for tenants - before the court will evict them. Often we found that people fall behind and sometimes it is an administrative error and they fall behind over a period of time. They may owe hundreds of dollars in rent and if they are on welfare payments often they are not able to make good within that 14-day period. It is a very short period to make good hundreds of dollars if you don't have any money. We recommend that the owners be obliged to enter into some sort of arrangement and the option, if that fails, is that the tenant could be evicted.

A further recommendation is that landlords maintain the property in good repair and we submit that in every other jurisdiction in Australia property owners are obliged to keep - in Queensland I think the words are 'the landlord must maintain the premises in good repair throughout the tenancy' and in other jurisdictions they use the term 'reasonable state of repair' and so on. In most jurisdictions the property owner is to 'maintain the premises'. In Tasmania the obligation on the property owner is to 'maintain the premises, apart from reasonable wear and tear'. I represented someone in court recently who, among other things, had a problem with her driveway. She had a very steep, gravel driveway and there was a concrete apron at the top where the car should be parked. The gravel gradually eroded away so that the lip of the concrete apron got larger and larger until she was unable to get her car up. She was not just in court in relation to that, but that was one of the issues. The magistrate found that this was reasonable wear and tear in that the gravel was eroding away and that the landlord did not have an obligation to fix that. You don't often get to court with those sorts of issues because it is pointless because there is no obligation.

**Mrs SMITH** - At any stage have you compared the standard of accommodation in Queensland, the act that you quoted, with the standard of accommodation in Tasmania? It is all very well to have pieces of legislation, but I am wondering if anyone has had an opportunity to compare standards. Are Queensland standards exceptionally good quality for the price charged?

**Mr DUNCANSON** - There are a number of issues there because obviously you're not comparing apples with apples. The climate would be the one that immediately sprang to mind and one of the key issues for private tenants in Tasmania would be issues around adequate heating and insulation. I think what somebody is trying to get at is the regulatory framework itself and how that differs. Some of those issues as to what is



going on in terms of housing in Tasmania is that the quality of the product is really quite often extremely bad and tenants are in a very vulnerable position. Because public housing is such a small percentage of the tenure distribution in Tasmania, private rental accommodation is really taking on some of those residual roles of social housing. So you have vulnerable tenants in really quite shocking accommodation quite often.

**Mrs SMITH** - Do you have a concern that the more regulation we put on the less opportunity we might have for rental properties? Some people have said that putting the first home buyers in created a problem in that it pushed the price up. It didn't advantage anybody. Is there any evidence that the more regulations we put on the less housing stock there is for rental? Have you done any statistics on that?

**Mr ATKINSON** - I do not know if there are statistics but, for example, if you regulated to ensure that the owner/landlords ensured that there was a certain standard of heating insulation, for example, there is no doubt that that would be a cost to the landlord, but obviously that is a tax-deductible expenditure. The other question you have to ask is what is the bottom line in terms of the kind of standard that we are allowing people to rent their property in. I think that given the degraded status of a lot of the property and the fact that people are investing and making money from the situation, it is quite intolerable for this incredibly low standard of accommodation to emerge under that kind of regime. A lot of the legislation was enacted in a period when housing affordability was not an issue. Probably people were being subjected to maybe inflationary increases in their rental costs but now we are seeing these big escalations in costs quite often and housing stress is becoming a significant issue. It is very difficult to see the regime as having the same kind of weight or influence or adequate impact under the current situation.

**Ms SMITH** - I think you are making a presumption that most landlords own. Have you any statistics that show anything in that vein? It might be the Real Estate Institute or the banks. How many of them are owned properties as against someone who says if I buy that and rent it out I might in time have an asset? Are there any statistics that you know of?

**Mr ATKINSON** - I am not sure of the distinction you are making. You are talking about the distinction between professional property investors with large portfolios as against individuals.

**Ms SMITH** - Yes, against the mum and dad who say they are comfortable and are probably better landlords, but I do not know.

**Mr. ATKINSON** - If you look at Australia across the board then certainly the absolute bulk of landlords are people with one or two properties at the most. It is a very amateurish market. We have been doing some research on how we encourage bigger professional investors to go and use that as a way of raising standards but I think, particularly in a market like Tasmania, it has primarily been people with maybe one or two properties. Now we have an issue where you have interstate purchasers who are not even residents in the same location as well. So you have this extra distance between them and their tenants, which is a further issue. What is going on at the moment is market failure. We have a vacancy rate lower than a 2 per cent in the private rental sector, which is way below what you would require to have an adequately functioning market. Because there

is that kind of pressure it puts private tenants in a position of extreme vulnerability and it means that they offer themselves up to poor accommodation as a result of that because they have very few choices. Speaking as a private renter myself, there is a lot of misery out there that is not really being effectively recorded and it is very concealed in the society around us. People are really struggling to find places as a result of this squeeze on supply that there is at the moment.

**Mrs SMITH** - That is a statewide issue. That is why we must be very careful not to tip the balance. The investors, and I am surprised the number is so high, the non-professional investors, that we scare them out of the market. I did some quick figures on a \$200 000 borrow at 5 per cent interest rates, insurance \$12 000, \$200 a week for that property, \$10 400. They are not going to make any money until its asset improves under revaluations on that scenario. So there is a balance that must not do, as we have done in the past, of pushing -

**Mr ATKINSON** - That is where negative gearing of course comes in, making those sums at least a bit more preferential than that perhaps but I agree that anyone buying in the market now would have to let it at a very high rate. This is why you are talking about housing systems if you were not looking at the private rental issue. Wider inflationary pressures mean that the provision of private rental accommodation is also more expensive. If you increase supply across the board then you are helping to defuse that overall supply issue and the cost issue that emerges as a result of that.

**Mrs SMITH** - So the big-picture issue is to get more affordable housing on the ground so that people hopefully can transition from rental to affordable housing.

**Mr ATKINSON** - You could go further than that and say there it does not even need to be affordable housing. Simply increasing supply in its own right, if it is done at a significant enough level, would defuse the kind of market pressures that we see around us. The British Government has a commitment now to build 3 million dwellings by 2020. I know that we are dealing with what would be considered Federal-level issues. What we see is very little leadership. We need significant gains, we need that to be of  $x$  density, we need the majority of that to be a certain number of bedrooms per unit and so on. There is not very much debate about the basic numbers. I have some evidence with me but I do not know whether to - that is something may be I should talk about next time I come here.

Certainly the bulk of what we hear about is about mortgage stress. The bulk of people in housing stress are in the private rental sector. There are a lot of difficulties around what kind of policy initiatives and levers you could move to encourage growth in that sector but anything that encourages supply across the board is going to help, in real terms, to deflate some of those kind pressures at the time. That is just the money. That is the housing stress.

The financial position, the other issue is the regulatory regime which means people live in reasonable standards and I don't think we have even begun to cut into that debate about what kind of standards people should have as a right. If somebody is renting from a landlord who is making money on that property they should be able to demand  $x$ ,  $y$  and  $z$  and we have not even begun to catalogue what kind of items people should be able to demand as a result.

**DEPUTY CHAIR** - Rowland, we will leave it to your judgment about the other information you have there. If there is a document which you would like to table for us -

**Mr ATKINSON** - I can certainly leave things with you.

**DEPUTY CHAIR** - and then we can consider the content of that. If you are of a mind to do that it would be helpful.

Why don't we keep going the way we have been going rather than trying to formalise things according to the terms of reference because essentially your submission does not go to the terms of reference particularly, but in a broad sense it does because you are talking about housing stress and housing affordability.

**Ms FORREST** - I think it was in your submission but I have read quite a few and it has been mentioned in various forums - the bidding war for rental properties. How frequently does that occur and do you think there needs to be some sort of restriction on that because you can see people potentially paying a significant above-market rent in a situation like that? Is it a real problem or is it the old one that gets on the front page of the paper? Is it significant and do you think there needs to be some restriction or something done to try to stop that happening, or is just a matter of supply?

**Mr ATKINSON** - I think it is a huge issue and I think it is important to probably legislate on those issues. If somebody is offering accommodation for a value then it should not be allowed to escalate into a bidding process. If somebody has set what they think it is an adequate market return and then this bidding process emerges, it is leading to an inflationary process in its own right. As to the real incidence of that it is impossible to really know because it is a totally concealed issue.

I have been in that position myself where an agent has said - and this is pure anecdote - that was the price and you said yes and they wanted to put it up to \$360 a week. So there is that kind of behind the scenes toing-and-froing and I think agents and real estate agents are implicated in that process because they are trying to represent their clients so there is that inflationary pressure from that side. If tenants knew that this was basically illegal then they could say, 'I know that is illegal, I am challenging that, you can't do that, I have accepted it at the market price that you have set. It is a product on the market and I have accepted it'.

**Ms FORREST** - Are you saying that the bidding war starts after an acceptance has been made? I have accepted that price, I have been offered the property -

**Mr ATKINSON** - It does happen, yes. It happened to me personally so I think it is certainly happening beyond that. I think if somebody said there could be an open bidding process about this property that would be legitimate in a sense. But if people are accepting the market rate and there is this sort of shuffling going on and trying to get a bit more out of a person then I think those things are totally unacceptable.

**Ms FORREST** - So the actual number of times that occurs is impossible to say.

**Mr ATKINSON** - It is impossible to say.

**Mr DUNCANSON** - It is not something we have had significant dealings with because the tenants are to a certain extent participating in that and tenants are competing with each other. We have had a few people who have complained that this has happened.

**Ms FORREST** - Are the people complaining the ones who missed out or the ones that ended up paying the higher price?

**Mr DUNCANSON** - I do not have that information with me. I am not sure. No, I cannot recall. I remember two instances but I am not sure whether they were people who missed out because we just advised them that there was not a lot they could do. It is not a significant issue that we have seen. There are certainly real estate agents that have advertised properties within a range.

**Mrs RATTRAY-WAGNER** - As they do with selling a house, which annoys me immensely. It is either that or that, but that is just a personal observation.

**DEPUTY CHAIR** - Gentlemen, are there any recommendations you wish to speak specifically to? You could systematically work through those.

**Mr DUNCANSON** - Yes, just the final one. We would recommend that there are housing standards, that there is regulation of standards of rental accommodation and that that code be developed in consultation with interested parties and that it covers heating, insulation, plumbing, security and other relevant subjects, and that could be incorporated into the Residential Tenancy Act. The most common issue that we deal with is repairs to premises. We commonly find that people feel that they are living in substandard accommodation. I refer to a case study where a woman had a leaking septic tank in her backyard and her remedy when the owner refused to fix it was to go to court to try to get an order for repairs, to terminate the lease or under the Residential Tenancy Act she could repair it herself or have it repaired and seek to be reimbursed, but she did not have the money for that. She did not want to go to court and she did not have anywhere else to live. We lost contact with her. Another option would be to make complaints to council.

**Mrs SMITH** - That is where I would have gone.

**Ms FORREST** - It is a public health issue that one.

**Mr DUNCANSON** - Yes it is, but the way she saw it she could -

**Ms FORREST** -She was too vulnerable.

**Mr DUNCANSON** - Yes, and she could be turfed out of the house on public health grounds, by the landlord or by the council. From her position there were not any good remedies.

**Mrs RATTRAY-WAGNER** - A number of these recommendations obviously are fairly significant. Have you taken them to any part of the Government to get these addressed or is this the first time you have brought these recommendations forward?

**Mr DUNCANSON** - No, we have made submissions to the Government regarding rental increases. We have a rent increase paper which I think we attached to the submission called 'Through the Roof' about increases in Tasmania.

**Mrs RATTRAY-WAGNER** - Yes, that is there.

**Mr DUNCANSON** - We have commissioned some research to be done in relation to health, particularly of children in substandard housing in Tasmania which we feel may provide evidence that there are adverse health implications with children living in conditions where the heating and plumbing and so on are substandard.

**Mrs RATTRAY-WAGNER** - Which obviously would lead to health issues which is another impact on the finances of the State as well.

**Mr DUNCANSON** - That is right.

**Mrs RATTRAY-WAGNER** - I guess you will be continuing to lobby?

**Mr DUNCANSON** - Yes, that is right.

**DEPUTY CHAIR** - Are there any further questions for either of the gentlemen?

We will, of course, have Rowland back before the committee in another capacity in a week's time so we get a chance to digest that paper you have given to us and get ready to fire questions at you again.

**Mr ATKINSON** - No problems.

**DEPUTY CHAIR** - Are there any final comments either of you want to share with the committee?

**Mr DUNCANSON** - No, thank you.

**DEPUTY CHAIR** - Thank you very much.

**THE WITNESSES WITHDREW.**

**Mr LEO FOLEY, PROSPER AUSTRALIA (TASMANIA), WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

**DEPUTY CHAIR** (Mr Harriss) - Leo, welcome to the hearing. Your statutory declaration is for the purposes of the *Hansard* as all of the proceedings are recorded and will be a matter of the public record once we deliver our report.

Members, I have already indicated to Leo that Terry, our Chairman, has sent an apology for the moment and will be rejoining the committee at some stage but we are not quite sure when because of his longstanding prior arrangements.

Leo you have a presentation to make to us as an overview of your written submission which you have forwarded and then we will open up the forum for questions. We have allocated time to just a little after 3.30, so half an hour.

**Mr FOLEY**- Thank you for the opportunity.

I put in a written submission and I am assuming that I do not need to go into that. This supplements it, I guess.

I will start with a story. A few weeks ago I was watching on television one of those spruikers telling us how ordinary people can all become very wealthy. He began by stating his principle that he lived by, that land appreciates in value, houses depreciate in value. He said that his comfortable life today was based on that principle and he wanted to share that knowledge and show us all how to do it.

So knowing that it is really the land and not the house that matters, he said that we should buy a mediocre house in a smart new suburb, and most of our dads have told us that anyway when we first bought a house.

The house will make no money at all but, courtesy of the renter and tax breaks, it will at least pay for itself but as amenity increases in the new suburb the land value will leap ahead. Remarkably he claimed that he had used none of his own money, the money had come from a bank, a tenant and from the Australian taxpayer. He said with some pride that his house was the worst in the neighbourhood. It was a new house but built low, but of course he did not live there so there was not much contribution to the community from him. It is now ironic that after 20 years of tax breaks for these investors there is a rental crisis caused by a shortage of housing and I ask how can that be, after the lending bubble that we have just experienced.

Real investors add to the stock of our wealth. They build houses and I have no problem with the people who build houses. Lending for that sort of real investment has fallen drastically and I am not sure whether anyone has referred to Steve Keen's work - Steve Keen from the University of Western Sydney - but those graphs show that the amount of money going into new building - construction percentage of total housing lending - you can see the shape of the graph over the last 15 years or so is down now to something around 2 per cent of construction percentage of total housing lending. While we have a system that allows people to make money by buying into the inner suburbs and buying existing houses then that will continue.

Investors in existing houses just borrow funds. They buy and sell just the existing house. Their contribution to society is no more than exchanging the title to property; it is a very small contribution indeed. There is nothing wrong with this; people do it and they put themselves in some financial risk to do it. There is nothing illegal and some would say there is nothing wrong, in fact people came forward on that show and thanked him for making them millionaires. But what is really going on as a society?

A businessman who invests and makes a million dollars over say six or eight or 10 years would have made a huge contribution to society and have paid through the neck to do it. So what I am saying is that the fiscal policies that we have are biased against people who work and save and they favour people who pursue the unearned capital gains from land' and that is where government policy comes in. There is an obvious market failure and the Government is there to correct market failures. We have not managed to do that yet and I am hoping that this committee might be able to lead us in that direction.

There is something pretty basic about housing. We know that food and clothing and shelter are the basics of life so it is not surprising that people put themselves at financial and social risk trying to meet the rising cost of shelter. They just have to do it. If we get nothing else out of today this is the principle that I would like you to take away: that housing costs over time will absorb all the surplus disposable household income. It does not matter how much you earn, over time it will get absorbed into housing costs, which is really land cost. It is an essential need so it has monopolistic tendencies and economists like Steve Keen will support me on that and any other economists worth their salt. All the wealth that we generate through economic activity ends up in increased land values, and Tasmania has seen that over the last five or six years. Australia has seen it over 15 years where we have had an economic boom and what we have got out of it is higher mortgages and increased land values. That is probably the most important point I want to make to you.

Just as an indication of that, I have something here to pass out to you from the Housing Industry Association. I know they would have been along talking to you and probably supporting much of what I am saying to you. This is a time frame. Unfortunately HIA does not keep these figures for Hobart but Hobart fits into this mix just the same as all the other capital cities. If you look at 1973, and we will just take Sydney and Adelaide as top and bottom - the others are all in the middle somewhere. In 1973 a house and land package was around \$27 000, \$28 000, and land was a third of that, say 30 per cent. Sydney has gone mad as we know, so you go over to 2003 and the total package now is close to \$500 000 and \$460 000 of that is land. So it has gone up from 30 per cent to somewhere in the region of 80 per cent in Sydney. Dropping right down to the bottom to Adelaide, which had cheap land in those days because of terrific land banking by government and so on. In 1973 land there was around 15 per cent of the total package of \$14 000 for house and land. But have a look at what has happened to them even. In 2003, on a \$230 000 package it is \$140 000, so they are up around two thirds, 65 to 68 per cent, whatever that comes out at. The land value has skyrocketed, and that makes sense as no-one is making any more of it, as W C Fields or whoever said. I could go through all of the others but you can see what I am talking about. They are not my figures but HIA's. Tasmania is just the same although we took a bit longer to get there, but the last five or six years has just been the same.

Getting on now to this housing affordability inquiry. You will be aware that last year, in June 2006, there was a National Summit on Housing Affordability in the Old Parliament House in Canberra. Like all previous inquiries it provided no answers. At the end it called for a five-year plan, for national leadership, for more tax breaks for private investors and for a new government department to keep statistics and set benchmarks and, of course, at the end it called for another inquiry. Curiously it called its report 'A Call for Action'. In other words, the experts were calling on the Government to do something, which is exactly what the Government had called on them to do. These inquiries have not come to grips with it. The Productivity Council - I can bring out a number of them - the Urban Development Institute, the Housing Industry Association all say land is the problem yet we do not do anything about the land problem which is the problem to solve.

Having said all that, I am calling on the Government to do something too, but I am offering a plan of which I have already given you an outline. It is based on the Community Land Trust Model. I am offering a plan that will work. There will be another inquiry and I invite an inquiry in 10 years' time to audit the results of the options taken up from this inquiry and this Community Land Trust Model will stand out as the success. Why am I so confident about that? Because they work, they work in the United States, they work in Britain and they work in Denmark and they work in some other places too but I do not know the studies there. The studies are obvious and they are all on the Internet to look at.

Our friend the television spruiker recently was quite correct: houses depreciate, land appreciates, and why these will work is the community land trusts allow people access to land at a rent they can afford and they retain that affordability for succeeding generations. I have a lot of information about them but at this point that is all I need to say I think so I thank you for your time and I am very happy to take questions on this. I do have brochures which I will leave with you which outline the idea of community land trusts in a different way to what I have done in the submission I have put through.

**DEPUTY CHAIR** - Thank very much, Leo. Those graphs that you referred to by Keen the economist, are they documents you would like to leave with us?

**Mr FOLEY**- I could easily do so. There are two pages out of his web site of hundreds of pages but the web site is listed there and I am very happy to leave those. If it is of any use, what I have pretty much read out you are welcome to as well. You are welcome to anything here.

**DEPUTY CHAIR** - What you read out is going to be on the public record anyway.

**Mr FOLEY**- I could have saved you.

**DEPUTY CHAIR** - Okay, members, the forum is open for questions. I think we will be reasonably broad just as we have been with the previous witnesses before the committee.

**Mrs RATTRAY-WAGNER** - Leo, you talked about land appreciating and we have heard some evidence today that there is about 40 years' worth of available land in Tasmania for building new homes or whatever the mix may be. You are telling me that land is the



issue and then I am hearing that there is land available. Can you give me your thoughts on that?

**Mr FOLEY**- My understanding of land in Tasmania is that most of it is in private hands and is held off the market until it suits the owner to bring it on at a price that suits them. That is not an affordable price.

Government has surplus land from schools it has had to close or businesses and so on and just surplus land that Housing might have from donkeys years ago when they were banking. All I am saying is that you do not sell that land as we do now because that benefits one owner in 2007. What I want to do is benefit the owner in 2007 and the kids in 2027 and their kids in 2047 and you can keep it affordable by renting the land to them and letting them build their house on top of that land. They own the house, they have all the rights of ownership but they never own the land underneath and because of that there is no speculation. It does not appreciate in the same way - it does go up a little bit because community facilities are built and they get something out of it when they sell off. They can still sell or they can bequeath it to their heirs or those sorts of things but they go in knowing that they are going into a community-based housing village, if you like. It does not have to be; it might be one house here in Battery Point, one house in Glenorchy and one house in Scottsdale. The community land trust can work in any way you like. I would like to see them bought and built from the ground up.

There are pockets of land that are now going. I hate the idea of a cul-de-sac going into a spare block of land, 15 blocks around it and that is it for life. Those people sit there, wait for a school to get built nearby, new roads, they want a train going through the northern suburbs and by the time you do all of this the land value goes up and the next generation comes in and they cannot get in there. So they have to move out another 20 miles. They are at New Norfolk at the moment but they will be at Glenora and they will be at Bushy Park and it just pushes further out.

**Ms FORREST** - The Ouse hospital will need to reopen then.

**Mr FOLEY**- My word it will.

**Mrs SMITH** - So if they never own the land, how do you ever recoup it back? When do you recoup it back?

**Mr FOLEY**- You build a house -

**Mrs SMITH** - Yes, and I own the house and I do not own the land and I am in that house for 50 years. I like to stay in one spot and then I want a unit. I sell the house but not the land to someone in the community and I move into a unit. How does the community land trust continue to benefit?

**Mr FOLEY**- Each benefit is a social benefit. That house that you have moved out of in 40 years' time is available to a new family starting off and moving through the cycle, and so they get in. They buy the house for whatever the house is worth in 40 years' time, and houses depreciate so it would be very cheap after 40 years.

**Mrs SMITH** - No, position has become a critical issue in all of this and it might be the position, not even the house or the piece of land it sits on, because the facilities you talk about are there.

**Mr FOLEY** - The land is in the position. The position is land. That is what the real estate agents talk about - location, location, location - and they are talking about position of the land.

**Mrs SMITH** - So I do not own the land but my house is worth \$100 000. I want to sell that, just the house, and move into a unit and it is worth \$100 000. I might consider that it is a pretty good place to live so I put my house on the market for \$150 000 - not the land, just the house - and someone will pay \$150 000 on something worth \$100 000 because they like the fact that it sits in a city, close, and they do not have to go way out in the suburbs. Why is the value not being pushed up?.

**Mr FOLEY** - If there are enough similar houses on the market people would not pay more than the house itself is worth. It is just a pile of bricks and mortar, after all, depreciated down so they will pay what the value of that is - whatever it is. All of the location - closeness to the city, services, schools, all of those things - is built into land value. That is what land value is. It does not have any other value apart from community value. When we had Queenstown in trouble a few years ago they sold it for a song. You could buy a house around there for five bob because people were moving out, there was not a community, people did not think it had a future and other communities around Australia now are selling their land for nothing.

**Mrs SMITH** - I notice we do not have Canberra on this, which is unfortunate, because if my memory serves me right, you do not own the land in Canberra, you only own the houses. It is a 99-year lease or something. Is that still the situation in Canberra?

**Mr FOLEY** - Yes.

**Mrs SMITH** - What have the prices done in Canberra, by way of affordability?

**Mr FOLEY** - They started a leasehold system way back in 1901 in Canberra. All I am doing is returning to our founding fathers. If you go back to Barton, and Deakin and Fisher - these are the three parties going at that - but more particularly King O'Malley from Tasmania, this is what they talked about. They knew that when Canberra grew up there would be unearned increment from that development and it would go to private people so they tried to grab it for public purposes and Canberra paid for itself. They went for 20-year- revaluations because it was difficult to do valuations in those days. Today you could do it every hour if you wanted to on the computer but they could not do it then. The arguments from the people putting it forward were for five-year valuations at most but they got 20 years so people after World War II were faced with huge increases through the 1950s and the 1960s when the boom came through.

**Mrs SMITH** - On the house not the land because they do not own it.

**Mr FOLEY** - No, on the land. The lease payments they had to pay, which had not been revised since the 1930s, suddenly skyrocketed in the 1960s. They also compared what they were getting out of it to Sydney and Melbourne, which had also skyrocketed, but it

had gone into people's pocket there. A lot of the public servants were seconded - they didn't want to go there. In Canberra they dropped the leasehold system by saying they would sell the leases for nothing, so there is no fee on the lease, so it is not really a leasehold system at all. It works the same way as a freehold system.

**Mrs SMITH** - So they have title to their land now.

**Mr FOLEY** - No, it is like the Mersey hospital; they sold it for a dollar.

**Mrs SMITH** - But they have title to the Mersey hospital when they pay the dollar. Does the house owner in Canberra have title to that piece of land?

**Mr FOLEY** - The ACT Development Trust has title but there are no lease payments -

**Mrs SMITH** - Not the individual.

**Mr FOLEY** - because it is in the Constitution. Our founding fathers set it up so it would be a leasehold system, and it still is. John Gorton, in trying to win a by-election in 1969, dropped the leases down to a dollar and from that time prices skyrocketed in Canberra in the same way as they did everywhere else. There would not be many people who lived in Canberra in the 1960s who are thanking John Gorton for that now.

**Mrs SMITH** - So how do you control in your scenario an instance here where if we don't own the land we would be paying a lease? But the same thing doesn't happen. The Government or the community trust or however you set it up does not say, 'Well now, hang on here a minute, we should push up the leaseholds because that is the value'. We've seen it in the shack sites in Tasmania so we have a very relevant scenario to equate with this proposal, that suddenly something that was worth \$10 000 is worth \$130 000 - the land only, and they have owned the house for 30 years.

**Mr FOLEY** - Can I differentiate between a shack situation and the house that people need to live in?

**Mrs SMITH** - No, some of these shacks are houses people live in. They called it shack sites but go to Heybridge and you will find that they are people's homes. They happen to be on the water so the land suddenly became very valuable.

**Mr FOLEY** - Right.

**Mrs SMITH** - How do you stop into the future the community trust saying we can buy more land to set up the same thing if we push up these prices of the land - the lease?

**Mr FOLEY** - They do not push up the price. The price is determined by a market. Every piece of land is valued by the market; it is now, it is then. At the moment the price of the land which is by government or private valuation goes into private pockets, yours and mine. If we own a house on a block of land we get that money.

In this situation the community land trust receives that money. So, yes, they can go out and buy more and that is what the ones in the United States are doing. Some of them now are huge, they have 500 000 properties and they are reinvesting the money they are

getting from increased land values. So people are paying more year by year by year, and they are very happy to do so because they get to live in a good community. And the people can afford - we are talking about around 5 per cent of land values as an annual rental. So if a block of land in Tasmania is selling for, say, \$150 000 or \$200 000 maybe in Hobart, 5 per cent of that is somewhere between \$7 000 and \$10 000. People can afford that if they are working and they build the house on top of it for another, say, \$150 000 to \$180 000 for a home that suits them and they can afford that mortgage as well, so it gives them a start.

**Mrs SMITH** - So who carries the difference when you first set up your community trust - that \$10 000 you are letting them buy them at as against \$150 000 you bought it for to get a starting range?

**Mr FOLEY**- I am sorry?

**Mrs SMITH** - You have to start somewhere, don't you?

**Mr FOLEY**- Yes.

**Mrs SMITH** - So you just said a block of land is worth \$150 000 so you buy that block of land but you put it down at a value that someone can afford for them to put their house on.

**Mr FOLEY**- No, they pay the full rental value of the land; what the land is worth.

**Mrs SMITH** - The full rental value?

**Mr FOLEY**- Yes and that is valued by - it would be an incorporated body, auditors will be in to make sure the valuations are done properly, a professional body running it and in fact you would have a democratically elected board running it and that is so residents of the village of the trust people who live there are part of it. You need businesspeople and you need representatives of the community. So that is why they work everywhere and they are working around the world now. A tripartite -

**Mrs SMITH** - Has it solved the housing crisis in the United States or made housing accommodation cheaper in your opinion?

**Mr FOLEY**- This one is OPAL Community Land Trust which looks after low-income people on an island in the State of Washington and yes, it does.

I would refer you to OPAL and Burlington. I could refer you to a hundred because we have the National Community Land Trust Network, the CLTNetwork - one word - in the Google search, will give you about a hundred of these things. There are about 200 operating in the United States. A hundred or so of them have been going for somewhere between 15 and 20 years. OPAL and Burlington are in that category. About a hundred have started up in this twenty-first century since 2000 and the reason they are starting up is that the other ones have worked so well, and people are now moving out. Some people are going to live there for life but some people just need to get a start. So instead of paying all of their money out on a mortgage they are paying rent and they are building a house. If they choose to be mobile and move on they are looking for other

community land trusts around America to get into so that they can move from one community to another at a low price. But if they choose to go out into the private market and own their own, this has given them a start.

Their money has gone into the community land trust. OPAL has a formula here, which I am happy to leave behind as well. That is their particular formula for how people pay out but the beauty of it is that after nine years - these studies are from 1990 to 1999 - a house that the market rate took from \$105 000 to \$238 000 on the system that OPAL uses they are selling that for \$142 000. So I am not fussed about the people who are moving out and not making a fortune and nor are they because they win knowing exactly what they were going into, but I am fussed about the people in 1999 who can then get into a house for \$142 000 when the market is \$238 000, and that is what we need in Tasmania.

If we can save \$100 000 off a new home buyer in 10 years as OPAL has done and Burlington and 200 other land trusts in America, and the United Kingdom is doing it. Now, interestingly, the Tories picked it up; it is their policy for the coming election. The Liberals have had it for donkey's years. The Greens have got it in in Scotland. This is not something that we have to be scared of. I have the legal model at home. I did not bring all the stuff. I have books on this that the Institute for Community Economics in Massachusetts has provided me. That brochure is their words, I have not revised it and I give them credit on the back. I bring it out and distribute it around Hobart saying this is a good thing to do. If we want affordable housing we have to look at land, and this model keeps land down. People may want to move out but they are better off even after living in it for 10 years and not getting the rise on the land value. They have not paid the mortgage so the rent they pay is actually less than the mortgage they would be paying on that land.

**DEPUTY CHAIR** - Just before going to you Ruth, Mr Chairman is back.

**Ms FORREST** - I would just like to ask a few more questions about the logistics of that. It can be a person who rents the house that lives in it. So they just pay rent on the house.

**Mr FOLEY** - Yes, somebody owns the house and they can do what they like in the same way that I can do what I like with my home.

**Ms FORREST** - So the house owner pays the lease on the land and the tenant would only pay rent on the house, or does the tenant get slugged for part of the lease on the land as well?

**Mr FOLEY** - I have no idea, to be truthful. I do not know how that works. I suspect they would pay it. They are the ones living there. I would think the person who owns the house would try to recoup all the costs of building the house and paying rent on the land. That is what I would do as a landlord.

**Ms FORREST** - So they would be basically paying the lease on the land as well as the rent of the house.

**Mr FOLEY** - Yes. This comes from a principle that we do not follow in Australia but our founding fathers, all those early politicians who founded Australia and put the

Constitution in place, believed that the land belonged to all of us and the future value of the land that they were going to create belonged to the people. That is what Canberra was all about. They could not do it in Sydney and Melbourne. Think who sat in these chambers in 1900. It was not the people who needed affordable housing. We had places like Wapping in those days. It was people who controlled the land, the squatters and the people who went out there with them who sat in these sorts of places. So although the Bartons, Deakins and Fishers and all those wonderful men did what they did, it was very hard to do anything in Sydney or Melbourne or any of the other cities because these places were controlled by land-owning gentry. You can get all sorts of suggestions. Out of this I would like to get a piece of land, or several pieces of land, from schools that are no longer used or other pieces of land from Government and give this a try. You have Paul Blacklow and Graeme Wells at the university who support this 100 per cent. This will work and we know it will work because of the experience in other countries. It is economically sound. I have an economics degree and that is where I came across it.

**Mrs SMITH** - So your proposal is that the Government be requested to provide an area of land to a community housing trust as a gift, I suppose you would say, in perpetuity, that cannot be sold for a trial.

**Mr FOLEY** - Yes, but if government does not want to give, then the community land trust will return all of its money plus interest over time as the land value increases in value and they can have every cent back if they want it, but it will not happen overnight. In Canberra's case it would well and truly be paying for itself now if they had kept it going but they dropped out in 1968 or 1969 or whenever it was.

**Mrs SMITH** - But the land value does not increase to the next person coming along. That was the principle you -

**Mr FOLEY** - The land trust owns it. It does to the owner in the same way. It just depends who owns it. The land does continue to increase in value, it just depends who grabs that money. At the moment we privatise it. It is the ultimate privatisation. I am not trying to change our freehold system for individuals although I would love to, but I know that is not possible. I will fight on another front for that because it is still morally correct et cetera, but all I am asking for this committee is to give this a try. I was on the board at Shelter and I am still a member there and have good dealings with TasCOSS and so on. I understand what they are asking for, I am part of their submission writing at times, but it will not work. We know it will not work because nothing has worked for the last 30, 40 or 50 years and you have the figures to show it. Those things continue.

I will not go through all of these. This saddens me greatly. This is out of the *Mercury* 'Boom in the Land of Pulp'. This is a real estate agent who says we are going to have a pulp mill, putting in \$1 700 million into the community. He says that is terrific because everything is going up 20 or 30 per cent, and we have TasCOSS and others saying this is terrible for the community.

Whatever you think of the pulp mill in environmental terms, in money terms surely when you are putting \$1 700 million into the community it should not be seen as a bad thing from a welfare point of view. It is economically ridiculous that that is going to go to these people who currently own up there and who have done nothing to earn it. They will pick up the benefit of it and the people who have to work there, move into work

there or are on some sort of welfare benefit in the area already and renting, will just pay through the nose. I have many examples of this but the pulp mill is an exact one at the moment. You should never have an economic situation where we are pumping in a couple of billion dollars into a community and people are going to be worse off. It just does not make sense.

**Ms FORREST** - Is land tax paid by the community trust to the Government? We have had submissions from a number of other people recently that the State has a limited capacity to earn money from various taxes, and land tax has been quite a good earner of late. If you take that capacity away, the capacity is limited for the State to provide the services, so how does it work in this situation?

**Mr FOLEY**- Land tax the way we work it now is not a land tax at all, it is a wealth tax. It is not a land tax, it is on how much land you have and they do a new valuation and it goes up. That is a wealth tax, it is not a land tax.

**Ms FORREST** - Are you sure it is not a levy?

**Mr FOLEY**- This is genuinely a land tax. You take the value of the land whether it be \$100 000 or \$200 000 or \$1 million and you pay the value of that land, and the rental value of land is around 5 per cent of its price. The price is only capitalised rent and I am talking about rent so it comes out around 5 per cent. Land tax is a good thing, we do not collect enough of it but it is a cumulative thing based on how many properties you own. We have discrepancies between this neighbour and that neighbour and so on. It is a poor system and I would scrap that and put in a genuine land tax, a flat rate tax based on proper valuation of the land and it would not matter whether you had 1 000 acres or one acre, you pay according to the value of that land. If you choose to pay more money to the community, that is your choice and good on you. So you can have as much as you like as long as you pay the community for that privilege.

**Ms FORREST** - So under this system land tax is still paid?

**Mr FOLEY**- The community land trust would have to pay - under the current system. I am against the current system and would try to get the community land trust excused but I do not know how successful that would be. I would have to say, from what I am saying to you today, I would be putting houses on land owned by community land trusts with all the encumbrances that we currently have - all the bad taxes like the GSTs, stamp duties for sale of homes, land tax and so on. We are stuck with those so I am not trying to change those even though I disagree with them all vehemently, but that is a different argument.

**CHAIR** - Any final questions? Can I apologise. I trust they explained why I was not here.

**Mr FOLEY**- I knew you were not here.

**CHAIR** - It was a longstanding commitment I had, sorry, and I could not change it. I will certainly be reading it all in *Hansard*.

**Mrs RATTRAY-WAGNER** - It is an interesting concept.

**Mr FOLEY**- I hope that other people come along and give you other interesting concepts but I have been through a lot of concepts over 20 years when I have been studying the stuff and I am totally satisfied that this is the one that will take us forward. We know it works and you only have to go and ask OPAL or Burlington or any number of others that are already working.

**Mrs SMITH** - We might send the Chairman to America.

**Mrs RATTRAY-WAGNER** - The sub-prime housing crisis at the moment should be interesting to investigate while you are there as well!

**Mr FOLEY**- Housing Tasmania sent one of their people to study a similar concept - co-housing - a few years ago and it would not be a bad thing for somebody to go and study these community land trusts. It would be a very good investment for the State.

**Mrs RATTRAY-WAGNER** - Was there a report after that?

**Mr FOLEY**- She was at university so she did an honours thesis, a PhD or something. I am not sure what she was doing at the time but it was part of that and they supported her going across there. That was on co-housing, it was not on the separation of house and land which is what I am talking about. I will leave that. It is another piece of paper but it may be of use.

**CHAIR** - Thanks, Leo. That is the sort of thing we are looking for - Different models.

**Mr FOLEY** - These are not about community land trusts. I have put my submission in under the heading of Prosper Australia and I thought you may be interested in what Prosper Australia is so I can certainly leave any of that. That is probably the best bet to just leave that stuff. What Prosper Australia is about is saying that land belongs to all of us and the value of the land belongs to us as a community. That is not everyone in society now and we realise we have a fairly hard fight to convince us all but it has got some good adherence in the past, like Jefferson, Churchill, Tolstoy and Einstein; some pretty good thinkers have come up with it before.

**CHAIR** - Thanks, Leo.

**THE WITNESS WITHDREW.**



**Mr MIKE KERSCHBAUM, MASTER BUILDERS ASSOCIATION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

**CHAIR** (Mr Martin) - Michael, welcome to the committee and the hearing. We have the submission and have read it. We would not mind if you would like to have 10 minutes to do an overview and then we will go through section by section with questions.

**Mr KERSCHBAUM** - Certainly. I guess the Master Builders Association has tried to look at the problem at least specifically in Tasmania's case and we have taken an historical approach to the issue. We have tried to look at affordability, say, 20 years ago and the factors that may have impacted upon that over the last 20 years, say, in looking at all the variables I guess as best we can anyway. One of the things that we did find was that certainly the boom of the last five years or so, the property boom, has impacted directly upon affordability. Whilst Tasmania is probably more insulated from the rest of Australia insofar as we have experienced this property boom much more recently, whereas many of the other States have experienced it over a protracted period of time, say 15 years or so for many of the mainland States, they have had this progressive build of property prices. We have sort of had it one hit. The advantage or the upside of that if you look at it is that most existing property owners in Tasmania have not suffered the effects because they bought in at the lower prices. Unfortunately, going forward, that is not going to be the case unless some fairly serious action is taken across the board.

When we look at the prices that we were paying 20 years and compared it to CPI - I use CPI as a base figure for Hobart - it had increased by about 87 per cent in the period 1987-2007. We then looked at house prices in terms of construction cost and we looked at land prices as well. Also the ABS do a measure of housing costs and we compared that then as a base model, if you like. Interestingly the ABS is suggesting that housing costs have not risen to the same extent that land prices or in fact construction costs have and there are predominantly two reasons for that.

First of all, we are not paying the 15 per cent interest we were in 1987 and that seems to be one factor that has kept housing affordability at around about the same sort of rate it was 20 years ago when it was at historically bad levels.

The other figure that seems to be fairly prevalent is the fact that we are getting a much lower return on housing now than we were historically. So I guess if we were to receive a slightly higher return on household rents, say, more in line with market conditions, say, 10 years ago which was pushing 10 per cent and in some cases over you would probably find that affordability was much worse and likewise the fact you are paying close to half the interest rate now that we were in the 1980s has also kept housing relatively affordable.

Interestingly also and I guess it makes commonsense as well, whilst Tasmanians earn much less than their mainland counterparts and certainly the national average, we have had historically low housing prices as a buffer and as a result of that we have also been able to have a slighter higher home ownership level than most of the other States and that has worked to our advantage historically as well.

As I said, a lot of the information is historical and when you look forward there are some real issues for us. If you were to summarise them I guess the biggest concern for the association really is the land prices and that has been probably the largest factor, if you break it down, in housing unaffordability in recent times. There is no doubt about that and I think the graph that I gave you on page 8 really reflects where we are at. An amount of \$33 000 is not necessarily a feasible price for a block land either, given it takes about that sort of money to develop a block of land that is fully serviced. However, \$95 000 is not necessarily a good price either and to go from \$33 000 to \$95 000 in a period of 10 years, when you look at it really we are talking about two or three years from 2003 to current -

**CHAIR** – It's a pretty spectacular graph, isn't it?

**Mr KERSCHBAUM** - It is. That is a \$60 000 hit to the home owner since 2003.

Yes, construction costs have increased and there is a bit of profit taking all the way through and the MBA will put their hand up there as well; builders' margins are certainly better than they were 20 years ago, there is no doubt about that.

Likewise market supplies were operating at virtually cost levels 10 years ago. They have now increased their profit margins. Subcontractor rates have shot through the roof so it is really a case of having too much growth over too short a period of time.

Unfortunately in our industry it is a skilled area and it takes about four years to train an apprentice fully and we are only just seeing the results of that additional labour. Unfortunately DFOs, Myer fires and things like that don't contribute to the balancing of the supply and demand. So I guess going forward I am certainly unaware of how the labour components are going to be brought back into sync because at the moment we do not have enough people to build.

The other thing as well with Tasmania is that because we have had historically a fairly small market, we have had a lot of skills that have developed both in the housing and commercial sectors so a lot of our tradesmen are able to work within the housing sector and also within the commercial sector. We saw that work very effectively during the start of the boom where we saw a lot of people move from that commercial sector into the housing sector and there is very little commercial work available. They will go back into the commercial sector and have started to since the increase in the commercial sector work has gone on. That has been good but it has still not been enough and whilst the number of people operating in the building industry has shot up from about 11 000 - I should have included that graph as well - in about 2000, we now have 17 000 people plus in our industry. So if you look at the drivers of the State's economy and the unemployment rate, an extra 6 000 people in building construction has been a huge driver of the whole State economy but I fear that is still not enough, given that we were building at levels of around \$160 million to \$180 million a year in the commercial area and we are now up around \$350 million and still counting. God help us if the pulp mill goes ahead, the DFO and this fire reconstruction, all the other work out at Cambridge and the planned developments on the east coast of Tasmania, we will shoot up to well over half a billion dollars a year and stay there. When you consider we were at \$160 million to \$180 million only a few short years ago, it has created a lot of additional work and we have not trained people at the same rate.

**CHAIR** - So what is the future as far as that goes?

**Mr KERSCHBAUM** - I have just conducted a course. The MBA has gone to 50 schools around the State and tried to get kids interested in a job in the building construction industry, trying to promote it as a pathway. That is all we can do but in the end the market can only be absorbed through the trade process with a certain amount of participants every year.

**Ms FORREST** - Those kids are still at least four years away from being qualified.

**Mr KERSCHBAUM** - Yes, and most employers will tell you they are not very productive for the first or second year.

**Mrs RATTRAY-WAGNER** - Even with the VET course where they get that quick whack and then that usually takes one year out of their apprenticeship.

**Mr KERSCHBAUM** - It helps, it takes the edge off. Effectively with the VET in schools program if you complete it, and most of them are getting picked up before they complete the course, you are ending up with effectively a first year under your belt in terms of training.

**Mrs RATTRAY-WAGNER** - For about 15 weeks or something, is that correct?

**Mr KERSCHBAUM** - There are two programs. There is the VET in schools program which is provided by the colleges. The students once they leave grade 10 go on to grade 11 or 12 and pick up the VET in schools program. They have exposure to trades that way. There are two-week blocks placed with an employer, plus on site at school experience in learning how to use power tools, occupational health and safety and those sorts of things. Then you have your pre-voc courses, or pre-employment courses as they are called now, through TAFE and those particular courses run for about six months and they give the kids some sort of start as well. But they are only a start and that is the problem. Around 60 per cent of the industry is trades based or performs the work of trades and so we are looking at the majority of the people in the industry having to have some sort of formal qualification, especially in the residential area where there is a lot less labouring work involved if you like - slab construction, steel fixing and those sorts of things.

**CHAIR** - Perhaps you are really saying is that we have not got the manpower to build a pulp mill or a DFO?

**Mr KERSCHBAUM** - We are going to struggle.

**Ms FORREST** - And houses as well.

**CHAIR** - And houses as well.

**Ms FORREST** - You can probably do one or the other, but not both.

**Mr KERSCHBAUM** - A 50 per cent increase in employment, 100 per cent increase in work.

**Mrs SMITH** – How many of your members are specific to the residential housing area as against the industrial area?

**Mr KERSCHBAUM** - We have 50 commercial builders within our organisation and that takes up about 90 or 95 per cent of the recognised commercial builders who operate at the commercial end of the market predominantly, and we have 220 or so domestic builders as members. So 270 builder members all up. Some of those commercial builders do undertake residential work as well and some residential builders do light commercial work. I was speaking to one of our members on Sunday, I ran into him at a cafe, and he said he has \$212 million potentially on the books. That was in the next two years. That is a lot of work for a builder to turn over \$30 million to \$40 million a year. He is looking to do over double what his current capacity is and he has been working at the same level that the other builders are with the same sort of work. I guess it all leads to an issue where we are going to have a skills shortage. We have one already and it is only going to be exacerbated.

**CHAIR** - Have you any detailed information on the likely skill shortage in the building industry? Is it possible to get it?

**Mr KERSCHBAUM** - I am only a part-time economist with the MBA. I wear about six different hats. I think the Industry Training Board are an excellent body to contact and I know Fred down there does do the economic modelling for that and looks at it. How do you account for a fire in the middle of the CBD? That is however many jobs. And the pulp mill was always one of those things that may or may not go ahead. You cannot assume it is going to go ahead. Those sorts of things have a big impact.

**Ms FORREST** - We have heard from most people that have prepared submissions, either written or oral, that the only way to really fix the problem with housing need is to put more houses on the ground. You are saying to us though, if I am right, that you really do not have the capacity to build more houses at the rate that it seems to be needed.

**Mr KERSCHBAUM** - We fully support Affordable Housing Limited as a model. We suggested something similar in our budget submission in October 2002. We suggested that the Government be the intermediary of that instead of Tasmania Affordable Housing Limited. I have since found out that the new model is much better than the one we proposed but either way, we are suggesting that that model will work but the problem we have now is going to be competing for resources. You cannot sit back and not do anything.

**Mrs SMITH** - Are there innovative ways of housing people without the standard frame it up, bring in the bricklayer, fit it out sort of thing as in modular walls? I think in America they bring in four walls and I am told when they are building high rises everything is in this model when they put it up onto the twenty-fourth floor, as in the bath, everything else. There must be a quicker process.

**Mr KERSCHBAUM** - There are lots of them but the problem you have is people, unfortunately. They have very distinct preferences and one thing as an economist you can't model is people's preferences. I have a builder who will build a little house for you for \$106 000 and I mean a little house, it would fit neatly inside this room, but it will

have all the things it used to have and they used to sell a lot of those in the 1980s but nobody wants them anymore.

**Ms FORREST** - We are being told by a number of people that the requirements have changed; people now only require one and two-bedroom places far more than three bedroom and so this little house that you are talking about should well meet the needs of those people.

**Mr KERSCHBAUM** - Unfortunately it does not have a garage, it does not have a home theatre, it does not have a second bathroom or ensuite -

**Ms FORREST** - We are talking about social housing here.

**Mr KERSCHBAUM** - And that is the issue.

**Mrs SMITH** - Quicker ways of getting social housing on the ground.

**Mr KERSCHBAUM** - Yes. I know when I was at Glenorchy they demolished a block of 12 units, which were perfectly serviceable at that stage, because they had outgrown their usefulness.

I guess we have to get serious about it, don't we? There are still vacant homes in housing communities that are not being used because they do not fit the need.

**Ms FORREST** - They are telling us the need is not for three-bedroom houses, it is for one or two-bedroom units, and that is why the three-bedroom houses sit vacant.

**Mr KERSCHBAUM** - Altering them internally is only superficial.

**Mrs SMITH** - Yes, but if you look at a single parent who may not have the capacity to look after a quarter-acre block, that sort of concept comes into it a lot as well.

**Mr KERSCHBAUM** - You are right. I am not suggesting it is impossible; all I am suggesting is that that is going to be a large hurdle and unfortunately construction costs are probably secondary to land costs at the moment in terms of unaffordability issues. I do not see that changing. There are models where you can build houses cheaply. It really is a struggle to build houses cheaply in Tasmania because we have different land conditions, we have topography, soil types that do not lend themselves to that. We just do not have the economies of scale; we are isolated. A project builder can build a house on the mainland for you for \$5 000 or \$6 000 a building square, 9.3 square metres. We cannot do it for under about \$10 000. Why? Because we are just not geared up for it. There are large-scale project builders on the mainland who build more houses than we do in Tasmania in total. So if you have a house builder on the mainland who is building 2 000 to 3 000 homes a year, of course they are going to be buying their timber cheaper, of course they are going to be able to screw the subcontractors' prices down. They virtually use the whole supply of a sawmill.

**Mrs SMITH** - But these are the subdivided developers who go in and build five different plans over 25 streets and sell off as they go and that is what you mean by economies of

scale? Here we sell the block for someone to build one house. They are spec or privately owned.

**Mr KERSCHBAUM** – Yes, and that is part of the problem as well; we just do not have those economies to scale and can't replicate them. That works against affordability.

**Ms FORREST** - Transport costs across Bass Strait too do not help.

**Mr KERSCHBAUM** - That is a common argument and I do not know how true that is or isn't but, yes, you are right.

**CHAIR** - In your submission you have raised a number of local government issues, and you are not the only organisation to do that obviously. In the case studies that you have given on page 9, council statutory fees have increased from \$1 200 for a home in 1987 to up \$10 000 now.

**Mr KERSCHBAUM** - When I am talking about statutory fees I am talking about the process as it was then to now. Obviously council fees are probably no higher than they were but you still have to pay private building surveyors and everything else. With the advent of the Building Code of Australia they have introduced things such as soil reports that are mandatory now for each new site. That is a \$300 or \$400 hit. Footing designs are now designed in accordance with Australian Standard 2870 which relies upon the soil tests undertaken. So the engineer now has to have input into that design. In the 1980s you were building houses to a standard 14 inch footing, which is a 350mm footing with a bit 8mm trench mesh in the bottom.

**Ms RATTRAY-WAGNER** - Land classification.

**Mr KERSCHBAUM** - But that has added a \$700 to \$800 hit just for engineering fees. Building surveyors are now privatised. As we well know that was cross-subsidised within councils. I used to be one. Now you are paying at least \$600 or \$700 for building surveying fees. Then you still have your plumbing fees, your still have your completion fees, your other fees that have to be paid. On top of that, designers are now designing to a much higher level because we have bracing plans in addition to footing designs. That is adding additional cost. A standard set of documents now is running to 10 pages. In the good old days it was a single page, two pages from a designer.

**CHAIR** - Are a lot of these costs because of increased standards et cetera? What can we do about that? Do we cut the standards back? It is not that the local government is charging more.

**Mr KERSCHBAUM** - No, and it was probably poorly worded but in regard to meeting statutory requirements, you are right; council do not have a lot of control over that. I certainly do not blame councils at all for charging because most of their costs are minimal because the amount of processing that they currently do is minimal. They all are additional costs that are adding to that. Do you remove soil reports? I think potentially you could. Why can't you do a subdivisional report? Most subdivisions are requiring it now and that subdivision report can be applied to all the houses in that lot. Why would you have one for each individual site?

**CHAIR** - What about Rosetta?

**Mr KERSCHBAUM** - You would know better than I would, with all due respect. When that was subdivided I do not believe that geotechnical engineers were typically employed for subdivisions.

**Mrs SMITH** - Are you not just transferring the cost? You would have to individualise every block on subdivision with its own soil test. I could be up on that hill whereas someone else down on the flat may not have the same landslip type issues.

**Mr KERSCHBAUM** - You are exactly right. If you are developing, say, 20 acres of land which will eventually be 400 lots, why not have 10 or 15 site bores in different positions where historically you would expect to have a problem - a change of grade or whatever the case may be - and have the geotechnical engineer assess it at that stage?

**Mrs SMITH** - So it would be a lesser cost at subdivision stage?

**Mr KERSCHBAUM** - Yes, because you are doing 10, 15, 20 holes instead of 400, which is currently the case. I cannot see that with a 500 square metre lot the soil profile is going to change dramatically from one to the other.

**CHAIR** - So you are asked to do one on each block?

**Mr KERSCHBAUM** - You are.

**Mrs SMITH** - It was \$300; what is it now?

**Mr KERSCHBAUM** - No it is now, but in 1987 we did not have this.

**Mrs SMITH** - No, that is what I am saying. It is a \$300 cost.

**Mr KERSCHBAUM** - Then, because you have got to design it according to 2870 of the footings slab standard, you have to get an engineer to then classify that site once its soil log is taken and determine what system of footings is appropriate to it.

**CHAIR** - Just on a similar issue with local government, you have had your submission in relation to planning issues, as do some other organisations. The Local Government Association has put forward a contrary view so we will give you the opportunity to respond to their view. LGAT in their submission do concede that there are shortcomings to the planning system. I think they claim that nearly all Tasmanian councils generally meet the 42-day statutory time frames but the fees collected are less than planning services cost, that there is no evidence of a land supply shortage in Tasmania and that planning regulations are intended to protect the interests of the community. Do you have a view on all of those?

**Mr KERSCHBAUM** - Yes, certainly. I guess my view is that there is not a strategically co-ordinated land-release policy. If you were to earmark land - and I only know the Glenorchy planning scheme reasonably well. They have a residential zone that allows for future residential development so the developer is able to look at a block of land and know straightaway what it is zoned for. Most councils follow the same sort of scheme.

It is a question of releasing that as well and it is a question of getting that out. The reason land costs have shot up so much is because there was no co-ordinated statewide, or even regional, release of land, and there was not perhaps a land bank there that was available or ready to be released. It all had to be done on a small, ad hoc basis. I am not suggesting that you should move away from the current DA system for land release but we need to ensure that the zonings are appropriate for land use. If you are going to allow subdivision then let us get on with it and earmark that land for that particular purpose. When someone comes along with an appropriate development plan let us get it through, let us get it done. Currently there are a lot of requirements that seem to me to be just a process and there is not a logic out in behind them but there is a lot of, if you will pardon the language, arse-covering going on within local government because the development engineer who ultimately signs off on that subdivision does not want to be held accountable for a whole stack of issues.

I do not have a problem with that. The issue is also with perhaps looking at the innate qualities of land. I know, coming from a subdivision where I was I just spoke to the council officer responsible for the land which was at this stage being earmarked for keeping. I said it looked as if it was infested with a whole stack of weeds. He said, 'It is.' He said, 'The only benefit it has is the visual or skyline aspect' but I was regularly reading the media that this particular land had some inherent use aside from its skyline value. It had no use at all. It was infested with feral animals and weeds and there was nothing particularly good about the quality of the land but it was still locked up because it had its skyline issue. I do not have a problem with it from the skyline point of view but the council itself knew that there was no inherent value in that property but for the skyline issue, yet the developer still had to go through this full process where it could have perhaps been bypassed. I just think that sometimes a fast-track system should be used rather than just a standard format. Certainly I think there is a lot of land there that really does not have a lot of value aside from the fact that people think it does for whatever reason. Or they just do not want it released.

**Mrs SMITH** - Would you accept that that is a community issue? When you look at a town plan, the law requires community involvement and as such that is creating difficulties. So it is an education program for your community. Is that where you are coming from?

**Mr KERSCHBAUM** - I guess that is why I, to some extent, support the national DAF model because what it is saying is get your strategic planning done up front, agree that we will subdivide this land now rather than doing it on an ad hoc basis. If somebody applies now under the planning scheme and says they have lots of land, they want to open it up, now we will have a debate about it. Well, why does the council not say they are happy to develop in these areas, get community consultation in at that stage and then allow the development to occur and be effectively fast-tracked at that stage? But let us have it jointly because Hobart may say we have our perimeter built up, we do not want to go any further, Glenorchy may say the same thing, Kingborough may decide that they want to release land so they are not looking at it holistically and saying which corridors we should be developing for future growth. It seems to be that the whole process is done on a municipal boundary basis rather than a regional or preferably statewide basis.

**Mrs SMITH** - The Central Coast Council are in the middle of the planning scheme process at the moment, putting a scenario to forward zone some land that could be earmarked 'residential' and when it came to the commission were told quite clearly they have 20



years' supply - it does not mean that it is on the market but they have 20 years' supply - it will go back to rural zoning even though it has sat on the periphery of a community. Where do you balance the different levels of that sort of concept in your forward planning?

**Mr KERSCHBAUM** - That is where the State Government and the local governments have to get together I think and have a strategic, coordinated land release strategy. I do not care what anybody says, we have no shortage of land here in Tasmania, nor should we be paying \$120 000 for a block in Kingston which, as far as I am concerned, is an outlying area of Hobart. It has plenty of future demand potential but why should we pay those sorts of figures when we know it is only about a third or a quarter of that to develop it?

**CHAIR** - Just to clarify that, are you saying there is a shortage of available land for sale?

**Mr KERSCHBAUM** - That is slowly being addressed. But there is, and the prices reflect that. There is no way that you should be paying the sort of money that we are paying now, based on what it costs to develop a block of land. A lot of it takes into account perhaps a developer's profits which are much higher than an ordinary market or competitive market would sustain and it is also the holding costs and associated costs and things like that the developers are putting on there because it is a hassle to go through local government, or perceived to be a hassle to go through local government.

**CHAIR** - So you are advocating a regional planning approach to the land?

**Mr KERSCHBAUM** - I think we have to. And that is the biggest downfall of the council system as it currently stands. Not enough things are regionalised. I think that is changing, but land release is a big issue. Five years ago the commission could have argued that perhaps Central Coast was not growing all that much so we did not need it, but this particular population boom has put paid to some of those notions.

**Mrs RATTRAY-WAGNER** - I know another council area that has done exactly the same. The RPDC said, 'No, we are not having that area.'

**Mrs SMITH** - We have become pseudo state planners.

**Ms FORREST** - Then we see that land won't be developed - infill land - because there is such a community outcry. This happens every time. On a small piece of land you might build six or 10 homes at the most and the community says, 'No, no'. So the council backs off.

**Mr KERSCHBAUM** - Unfortunately with some councils it can be a political decision.

**Ms FORREST** - The only reason that you would stop it would be community discontent.

**Mr KERSCHBAUM** - And that is the other unfortunate aspects facing Tas Affordable Housing Ltd, because if they put in a proposal and if somebody gets a whiff that a developer wants to develop some government land they will then on-lease to Tas Affordable Housing and that is made clear before the plans go to council. You may find you would get more reaction than if they knew it was going private.

**Mrs SMITH** - Is it not a fact though that if we had more non-discretionary work in our planning schemes so that residential was residential, it would be easier? It is the discretion that gets everyone - developer, community and councils - into trouble. If we have more non-discretion in the planning scheme you would solve that problem but you also create a longer-term problem if some proposal comes up and you have to go through a zoning process. That can take 18 months to complete. It is the chicken and the egg. Would you agreed with that?

**Mr KERSCHBAUM** - Yes, it is. I am firmly in favour of the fact that once you develop a lot of land for subdivision there is no point in going through a formal planning process unless you are varying one of the standard requirements - height, setback, whatever the case may be.

**CHAIR** - I need to clarify something. There is a slight contradiction between yourself and the HIA.

**Mr KERSCHBAUM** - Really. Well that is probably the first time that would have happened!

*Laughter.*

**Ms FORREST** - And you said that you going to tell the truth!

**CHAIR** - In your submission you have cited land values as a contributing factor. HIA in their submission says - and I quote - 'There has been virtually no price pressure on land in Tasmania'.

**Mr KERSCHBAUM** - I got the figures from the Real Estate Institute of Tasmania. They were sent to me as an XL spreadsheet and I put it into a graph. I do not think I commented on the source of that and I should have, but my friends at the REIT provided me with those figures. I am going off their sales figures for that period. You make up your own minds - \$60 000 in effectively two, three or four years. I cannot see how land prices are not affecting the situation.

**Ms FORREST** - I am sure we all wish we had bought land 10 years ago and sat on it till last year.

**CHAIR** - I have a personal opinion as to who is right. I am not necessarily saying you are wrong.

**Mr KERSCHBAUM** - As I see it, that factor has probably been the predominant reason that housing has become less affordable. As I said, when you look at it and break it down, you will see that construction costs have increased, but a lot of that is statutory compliance issues over the past 20 years.

**CHAIR** - It is possible to get the information that you got from the REIT?

**Mr KERSCHBAUM** - Yes, certainly. I could forward it as an email. I received it from their research officer.

**CHAIR** - If you could e-mail it, that would be great.

**Mrs RATTRAY-WAGNER** - Just one question - and I know we touched on it a few minutes when we talked about the councils. On page 9 of your submission it says that many councils are now imposing head-works charges and yet we had evidence this morning from the Local Government Association saying that there was only one council in Tasmania that applies head-works charges.

**Mrs SMITH** - No - one that was looking at applying it and setting up a policy framework. Are you talking head-works or development charges?

**Mr KERSCHBAUM** - Yes, probably loosely worded again. Development charges/headworks are the same thing as far as I am concerned. It is still a tax or an infrastructure cost that is passed on to the developer so I apologise for loose wording. I am aware of at least two or three in the south of the State and I am aware of moves afoot from others. They have exactly the same import or effect. They are creating additional costs and I can see from the council's point of view why you would do it but from a generational point of view, I was lucky enough to enter the real estate market before they introduced these sorts of costs and I do not know why I should have the benefit of having the community help subsidise my move into the real estate market and not have the same for my children. I do not think that is fair. That is a community issue, I know, as is meeting the bottom line of the councils.

**Mrs RATTRAY-WAGNER** - Thanks for your clarification.

**Mr HARRISS** - Development costs and headwork costs are different. I accept what you say about the fact that they are a cost, whichever you are talking about, but the development costs are those associated with simply connecting up to a piece of pipe available to a particular subdivision whereas headworks costs go to the broader development by the council of that sewerage scheme which might service 14 subdivisions. It is not an unreasonable proposition, is it, for councils to recover those costs?

**Mr KERSCHBAUM** - Historically they have not and they have made a decision, and Kingborough and Glenorchy I will point out as two specific examples where I know that they do apply a fee. Kingborough apply for each additional lot. I know because I have just built two units and I avoided \$5 000 in additional costs on those two units. Previously I paid - I forget the figure - \$1 000 or something to get the services upgraded to that particular site. It would have been an additional \$5 000 or so on top of that for that second unit on that development. I was undertaking an in-fill development which I guess planners would suggest is a good thing to do but, on the other hand, I was being penalised for that. Potentially I said I have just got in before the date but it was \$5 000 for each additional lot. The way I read that it was an additional \$25 000 if you were putting six units on. The first one was \$5 000 per unit and Glenorchy have a headworks fee based on where you are to increase the water supply infrastructure to those particular areas. So there are two councils I know for a fact have a cost. You can call it whatever you want; it is an infrastructure fee or charge.

I have no problems with having to upgrade to a mains. I had to go from a 20 to a 25 ml water supply connection for two units. That is fair and reasonable but why should you be paying to upgrade the service in that street because you are making an addition,

especially when I was in a subdivision that was already 30 years old? That should have been looked at at that stage.

**CHAIR** - Is that in a specific part of Glenorchy?

**Mr KERSCHBAUM** - Sorry?

**CHAIR** - The Glenorchy example you gave, is that in a specific part?

**Mr KERSCHBAUM** - Yes, they certainly apportion the rates in different areas, as I understand it. So depending on which reservoir you are served by they have a slightly different fee, going from memory from a letter that I received last year. Yes, they certainly do have a system, and I think where they are poorly serviced in terms of sewerage there are probably sewer charges as well.

**CHAIR** - It wasn't the case back in my day!

*Laughter.*

**Mr KERSCHBAUM** - No, we left at about the same time.

**CHAIR** – Thanks, Michael, for the submission and for coming today.

If you can send that e-mail it would be great.

**Mr KERSCHBAUM** - I certainly will.

**THE WITNESS WITHDREW.**