

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON HOUSING AFFORDABILITY MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY 18 OCTOBER 2007.

Mr ROBERT ROCKEFELLER AND Ms MARY MASSINA, PROPERTY COUNCIL OF AUSTRALIA, WERE RECALLED AND FURTHER EXAMINED.

CHAIR (Mr Martin) - Welcome back. We can resume from where we were at last time.

Mr HARRISS - Just quickly, the position we had got to was that Robert was advancing the notion of the debt to equity ratio which Housing have. If they run it as a business, they could get out there and borrow. They could do a whole of heap of things. The private sector would be more than happy to take over a portfolio like that. Sue raised the possibility of having a GBE of the Metro type and then if you set up a government company like that that does not have to pay dividends, as Metro does not, but that gets a significant capital injection as a community service obligation from the Government then they have a capacity to get out there and do a whole heap of things. So it was really focusing our mind on more of a private enterprise type of model.

Mr ROCKEFELLER - Mary and I, taking note of Sue's comments, looked at the Metro act and think that the concept is fantastic and the quarantining of dividends and the ability to borrow. I think in terms of section 12 of the act in relation to loans from Treasury and the controls that Treasury has in relation to that it is probably the thing which will make it extremely difficult because in this case say you have \$250 million of loans from the Federal Government at the present time, assets of \$1.5 billion you should be able to go and borrow \$300 million or \$400 million overnight basically, but the way the controls of Metro are with Treasury and the Treasurer they will not allow that to happen. I guess what I am trying to say is that that type of thing would have to be able to be freed up to enable the business to actually go out and build houses and operate effectively because otherwise -

Mrs SMITH - You would have to take the shackles of Treasury off is what you are trying to nicely say.

Mr ROCKEFELLER - Correct, because it will not change otherwise and at the present time I think the Department of Health and Human Services and the public at large view low-income social housing as a liability and that is how they view the areas when in fact Treasury views it as an asset. They will not admit to it but the way they restrict borrowings, restrict development but they actually have the asset on their balance sheet. That means they are treating it as an asset.

Ms FORREST - With the Metro act, one of the other issues there is that they have all liabilities really - buses are not really an asset - so does that make a difference as well in that you do not really have an asset that you can put on your balance sheet?

Mr ROCKEFELLER - I probably think it is more the way government likes to continue to control the GBEs so, generally speaking, they control them; they say they are independent but they actually control them through the funding mechanisms so it does not matter. I do not know enough about Hydro and Aurora but the feelings I get is that

they have to continue to borrow through Tascorp and all those sorts of things which is the way of controlling them.

CHAIR - They are all treated a little bit differently. They all have different characteristics. I suppose the concern I would have about Metro is that I have constantly complained about the amount of the community service obligation the Government gives them.

Mrs SMITH - But at least you can get from point A to point B. We constantly complain about Housing, I might say, that we cannot get any more houses. There is a difference in that scenario.

Mr ROCKEFELLER - Just on that point, Mary has also done some numbers. In 1996, Housing Tasmania was about 9 per cent of the total housing market in Tasmania. There are roughly 165 000 homes and they had 14 000 homes so it was roughly around 8.5 per cent to 9 per cent. Today they are about 6.5 per cent. Of the total market, 25 per cent is basically rental, then you extrapolate that and they are roughly running at 24 per cent of the total rental market at the present time. So what you have seen is a contraction of the involvement in the rental market by Housing Tasmania. I would tend to argue that once a house is an affordable house it is always an affordable house but you have actually had a growth in the number of houses - roughly 1 500 to 2 000 a year over a 10-year period. If they had just kept up and built on that 15 000 another 1 500 homes, and in fact they have not built any, probably many of the issues we have today would have been fixed. So it is their withdrawal out of the market of affordable housing, in my mind, that has been one of the causes of that. There has not been an 8 per cent growth in the number of houses each year and, let us face it, the 700 homes they have been claiming have probably been promised for five or six years now at least -

CHAIR - Two-and-a-half years.

Mr HARRISS - That is a specific 700, Mr Chairman. Every year, if you look at the budget papers, they never ever meet the targets. They set a target of 40 or 50 but do not get there.

Ms MASSINA - I think the other thing is too that with Housing Tasmania it is not just providing roofs over the heads of low-income earners but it is also the building of disability group homes, it is the building of houses for Mental Health clients. It has probably been given a responsibility to uphold a number of services which it is finding increasingly difficult to do. You only have to look at how many times a disability group home has been announced in the Budget. There is one in particular that has been re-announced for three years.

Getting back to the whole issue of a Metro-type housing trust. I suppose the issue is that it is ensuring that there is a very tight code of conduct and customer service obligations. It is ensuring that the organisation has the ability to borrow, and not piecemeal. As Robert says, it needs to be able to borrow significant amounts of money in order to become a player in the market and buy in the market.

It would certainly overcome some of those issues in terms of Housing Tasmania going into the market and attempting to buy a property and then finding itself caught up in that local government community -

CHAIR - Backlash.

Ms MASSINA - Yes, I was thinking of a nicer way of saying it.

The other thing is, by having it held in this manner means that maybe the asset, as Robert said, is treated as it should be, which is as a significant asset, which at the moment it is not; it is a liability.

Mr ROCKEFELLER - And I think as you were saying to me, Mary, having a government structure which might be reviewed or controlled by both Houses of the Parliament might be a way of reducing the influence of Treasury to a certain extent in terms of having the capabilities of borrowing.

One issue that possibly comes up is in relation to land tax. At the present time obviously State housing does not pay land tax. Again, I do not really understand the whole system but in some of those other charges if you ended up having land tax, as you are probably aware, it would be 2.5 per cent of the land value. Why I bring this up, is it is related to something like a GBE because if you ended up taking, say, \$1.5 million, say half of that is land component and you pay 2 per cent on it. You are talking about \$15 million or \$16 million just in land tax you would pay in a year.

The reason I bring it up is in terms of the housing stock, and 25 per cent of the housing is rentals, in that rental market I would imagine that on average people who rent houses probably own three to four houses. Theoretically they should be aggregated if they are or not, but let us assume that they are, and let us assume, say, four houses are aggregated. The land value of those four houses we will say is \$500 000. In Tasmania you would pay \$4 800 land tax because of the grouping provisions. It actually translates into \$1 200 a home. It is about \$22 a week so say on a house of \$200 a week rental, and just say as an investor you want whatever that return is and you are getting charged land tax of \$22 a week, you will pass that on effectively. What you have had is this on-cost coming on due to the nature of land values increasing going onto the cost of rental properties.

If you were, say in Victoria and other States where the land tax threshold sort of kicks in, it might not be until \$500 000 so at \$500 000 in Victoria it is actually \$300. What we end up having in Tasmania is a very low threshold and land tax kicking in very early, so it really has a major impact on the rental market. I come back to the notion that the cost of being a renter is much higher than the cost of being an owner of shelter, meaning if I am fortunate enough to be able to own my own home I do not pay any land tax but if I am a renter I effectively do pay land tax in the rent.

I do not see the differential in my own mind but I know there have been political reasons over time. What I am trying to say is these sorts of costs are quite significant in real cost to a person who is renting a home in that in the lower areas - you know, \$200, \$250 a week, \$150 - they are paying probably 10 per cent just in land tax.

CHAIR - Robert, have you a State-by-State comparison?

Ms MASSINA - I can organise that for you. We can provide you with a State-by-State comparison of stamp duty as well as land tax.

CHAIR - On residential?

Ms MASSINA - On residential as well as commercial.

Mr ROCKEFELLER - So if it was like a GBE would you still be land tax exempt? It is circular. You do not want a situation where you are just paying land tax to Treasury of \$15 million or \$20 million.

Mr HARRISS - Is part of that proposition, Robert, that we have the Government reconsider not only the rates of land tax and the thresholds but maybe even an abolition, or is getting the threshold up at a higher level going to achieve anything?

Mr ROCKEFELLER - If you ask my personal opinion - and this is probably a policy thing - the State does not have enough range in their taxing. The problem going forward is - and we have this at the Property Council review of State taxes - it is more about how do you broaden the base.

Ms FORREST - Spread it around.

Mr ROCKEFELLER - Spread it around and broaden it for the long term. I think the problem is always political and this is the dilemma; you just increase the threshold. I think all that that is doing is fewer and fewer people actually incurring the burden. Why should someone who owns their shelter be excluded from paying land tax? If you asked me I would be saying lower the rate, reduce the threshold, it is on all houses.

Mr HARRISS - The GST principle. I am sure the Treasurer would agree with that.

Mr ROCKEFELLER - I know it is easy to say increase the threshold and all those things, but I think all you end up doing is putting a rod on your own back as a State going forward.

Mr HARRISS - For a small number of people.

Mr ROCKEFELLER - For a smaller number of people.

Ms MASSINA - The figures that the Property Council have done of the number of people who are paying the majority of land tax is something like about 400-odd people paying - you know, big properties over a million dollars. Government would argue that that is a tax on wealth and that is the way it should be - and we would argue that it is a tax on prosperity because it is not that hard, in realistic terms if you are investing in a market, to accumulate a portfolio that is significant enough. On one hand they are saying mums and dads should become investors in affordable housing. On the other hand they say, if you start playing around or investing your money in the housing market, we will tax you because it is a tax on wealth. You cannot have it both ways.

Mr ROCKEFELLER - Or alternatively, if it is shelter, whether it is rental shelter or an owner-occupied shelter, maybe there should not be any land tax. I do not understand the differential between the two modes. They are both shelter. Why should one person be getting an advantage and the other person, who is the least able to pay, be paying it?

Ms FORREST - If you raised the threshold, wouldn't that encourage investment in the lower end of the market, where the affordable rentals are more likely to be?

Mr ROCKEFELLER - I think that is right. I am not going to argue the point. I think that is correct. What I am saying is, looking at it as an overall policy perspective it -

Ms FORREST - Because the way the tax system seems to be set up it encourages people to invest in the upper end of the market. You get more tax breaks and benefits to a point. Mum and dad investors are not really encouraged to buy into the market if they buy a property they can only rent at a fairly low rate because of the location and/or the amenity of the property and they still get slugged with land tax. But if you put that up, then it might encourage people to invest at that level.

Mr ROCKEFELLER - Yes. If you look at the Affordable Housing Strategy and the system they have adopted in terms of the tender process and the way it is set up, they would prefer to have fewer people leasing more homes on that basis. I guess what I am saying is, Housing Tasmania would rather only have a few people to deal with and put up 100 homes or 200 homes, but those people could end up paying land tax whether you increase this threshold or not. So you have that side. If you are talking about the individual mums and dads, then the answer is probably correct in what you are saying.

It would be interesting to look at the market. I think, in Tasmania, you will find that the people who own rental properties have numerous properties. So, to increase the threshold you would have to increase it significantly because they have multiple properties. In Tasmania there are 44 000 rental properties of which 12 000 are public houses, so there are 33 000 which are privately owned. It would be really fascinating to know of the 33 000, how many -

Ms FORREST - People own them?

Mr ROCKEFELLER - Yes, correct, in a-back-of-envelope-type of strategy. What I am trying to say is, it has an impact on the threshold issues and how it is passed on to renters.

CHAIR - Treasury probably has that information.

Mrs SMITH - The Real Estate Institute of Tasmania would have it, I reckon. They would have fair ballpark figure. A lot of those 33 000 private rentals would be through real estate and as such they should have handle on what are group-owned as against the mum and dad investor.

Ms MASSINA - The interesting thing is that according to the census data from the ABS, real estate agent-managed properties are only 14 000 of those 45 000 rentals.

Mrs SMITH - That tells me that there are a lot of mum and dad investors out there that can manage their own in Tasmania.

Mr ROCKEFELLER - That would be correct.

Ms FORREST - There probably are some people out there, and I know people who have a lot of properties, but if you want to encourage the mum and dad investor to have that one extra property, then that may be a way of achieving it.

Mr ROCKEFELLER - I would probably say the answer is yes. I was only trying to raise different related issues which are passed on to the costs of a renter whereby, on face value, you look at the land tax types of issues. To me, it is a significant issue; it represents 10 per cent.

Mrs SMITH - And 10 per cent is a significant amount.

Mr ROCKEFELLER - Exactly.

Mrs SMITH - I do not think this Government that is saying 'no new taxes' will go anywhere near putting land tax onto the shelter of the private individual. They would be brave, and I do not think they are that brave, to be quite honest. But what you are saying to me is, if we want to do something quickly about affordable housing, maybe we can suggest offering an incentive on rental properties that if you are in the rental market your land tax will be exempt if you are in the affordable housing rental market at a level of a \$300 a week maximum, or something like that.

Mr ROCKEFELLER - I would probably go so far as to ask - and it would be a really good question to ask Treasury - in terms of residential houses, how much money do you get from land tax? If you were the only State in Australia that exempted all housing from land tax I think you would see a boom.

Ms FORREST - It is a good point.

Mrs SMITH - On the figures you have given us, \$22 a week, if it reflects down, it makes a significant difference to affordability on an average house. If we are looking for some quick solutions -

Mr ROCKEFELLER - Correct, but you also then see on the supply side, in my mind, a significant motivation for people to build houses.

Ms FORREST - But \$22 less a week in someone's rent is a huge amount, if it does actually flow through. It is a big amount for a lot of those people who are struggling.

Mrs SMITH - If you link it to affordable housing; they have to show it is affordable housing.

Mr ROCKEFELLER - I guess what I am trying to say is just across the board - all residential. I think doing things whereby it becomes quite cumbersome saying, 'Where does this house fit in?' -

CHAIR - 'Keep it simple' is a good philosophy.

Mr ROCKEFELLER - Yes, I think that is probably what I am saying, but I don't have the numbers and, as you pointed out, you need to look at what is affordable and if there is an easy way. If you did it across the board, maybe there would be a much larger loss. In Tasmania there are not that many people who can rent a \$500 000 home, a \$700 000

home or a \$1 million home; they are going to buy it. I guess the point I am trying to make is that in my mind most of the rental market is between zero and probably \$350 000. I would not think that there were that many investors in the higher side of the market. Probably where they are is that it is their second home and they're probably paying land tax on that second home. That is where that market possibly is on land tax.

Mrs RATTRAY-WAGNER - The old shack that isn't a shack any more, at Freycinet or Coles Bay.

Mr ROCKEFELLER - Exactly. I think that is where that sleeper is. It's not a rental market. I always take it from a residential perspective and there are these really strong bands in Tasmania whereby you go over a certain price point and there is not a lot of depth to the marketplace. In terms of that \$350 000 downwards, there is a huge amount of depth and that is where you have seen the most price explosion happening as people have got wage increases through the system. Then because you have the supply of new homes being quite shallow as you have not had the planning in place to release land et cetera, you have new infrastructure costs being put on, it has increased the cost of the low-end house which has forced all the existing houses prices up. They are the sorts of things; lowering things like land tax and encouraging people to think, 'Gee, I am going to build a house here, I am going to rent it out and I do not have any costs associated with that. You are doing two things; hopefully lowering the rent in one instance and at the other is hopefully you will attract more people into the sector to invest in it and build houses.

Mrs SMITH - What you have to do is attract more people because that makes rentals affordable. Just to say no land tax does not mean that automatically \$22 is deducted from the rent. It may mean the landlord makes \$22 more profit -

Mr ROCKEFELLER - Exactly.

Mrs SMITH - so you really have to ensure that you bring in more competition somehow and thus that is what is going to lower it -

Mr ROCKEFELLER - Exactly.

Mrs SMITH - and the landlord thinks, 'Good tenant, I am bringing it down \$20 because I need to keep them'.

Ms MASSINA - The fact is that in the Premier's state of the State address he made a commitment to a State housing policy which he would realise was our recommendation. If you go ahead and do a State policy you have the ability to build into that policy some levers that assist in terms of encouraging supply. I would strongly suggest that the whole issue of land tax - or property tax as a whole because stamp duty obviously is one, as Treasury calls it now a 'duty' - is one of the most volatile revenue streams for the Government. It has substantially increased over a period of time. It is another issue that the Government needs to actively look at along with land tax because there is an argument that looking at abolishing stamp duty on your dwellings might be another way of encouraging investment and competition into the rental market.

Mrs SMITH - What appears to be happening on the mainland, though because that affects their income stream, is they are looking at putting restrictions so there are requirements within the planning system that if you are subdividing there will be a component of affordable housing priced into that subdivision. In the big markets of a 500 lot subdivision that may be a trigger that you can manage. My question is, in a lot of instances it might be 50 or 60 lots that you can get up and going or with 500 lots it is going to take 10 years. Do you have some comment about the mainland scenario of dropping a requirement on all subdivisions to avoidable housing?

Mr ROCKEFELLER - I think all that you are doing is increasing the costs of other housing. Invariably if you are doing a new land subdivision, particularly in Tasmania, you are going to be at the low end anyway despite the very nature of the marketplace you are trying to cater to. There might be some other areas which might be more expensive but generally speaking you are going to be at the lower end and you plan for one of the houses to be at \$100 000. It just means that the \$200 000 house has gone up by say 10 per cent and you are increasing the price. It also means that existing homes which are already built, because they then have that obligation attached to them, have gone up in price as well. It is a way of inflating the price of homes.

What should be happening is the release of more land. You go to Kingston, for example, and you look at the zoning and see where the bypass is going to be which we have all known probably for 10 years realistically. All that land is zoned rural. If you look at Huntingfield it is all zoned rural so effectively here the best subdivision land for reasonable-priced housing is still zoned rural. You do not have to be too smart to figure that one out. You can see all these different places where the councils or whoever have been very restrictive in terms of their planning. I guess, if they were far more open in terms of subdivisions, the infrastructure et cetera you would not need these prescriptive issues.

Mrs SMITH - I think you made that comment last time and I also gave you an example of a new planning scheme at the central coast. This scheme came to the commission as rural/residential which is close to town and the next step is residential - that is its way forward. It came back with, 'You've already got enough potential titles in the community', therefore they pushed it back to rural - the commission, not a community. It is not always the argument of what the locals see, it is the fact that there is 500 titles but they might not all want to sell their titles.

CHAIR - Can I add to that the reason southern Tasmania - the greater Hobart councils - have been restricted from the planning schemes because there was a study in the early 1990s that highlighted that there were over 10 000 infill blocks available and we did not need, from an infrastructure point of view, to zone any new land. In fact, a lot of residential land was zoned backwards.

Mr ROCKEFELLER - Correct. I take your point and will look at what actually happened in California when I lived there. What has been happening is we have been living off infrastructure and planning from 10, 20, 30 years ago so over the last 10 years we have done all the infill blocks, now we have all the costs associated with putting the blocks in. Then they look at a user-pays principle, that means that a new family trying to build a house picks up all the costs, or the person who just had one of these infill blocks got it for free. I am sure I got my house for free because they had a more utilitarian principle

when services were put in over 50 years ago and it was paid off. Now they want it more up-front.

I am saying it does not just increase the cost of a new house, it actually inflates the price of houses which have already been built because they never had that cost of infrastructure.

CHAIR - True. It is one of the strategies that is needed as part of the development of a State housing policy, the need to update records and the saleability of land.

Mr ROCKEFELLER - Very much so.

Ms MASSINA - I suppose the other thing is, we would argue that not only does it have to do that but it also has to look at a strategic infrastructure plan that starts planning for today because you only have to look at the budget papers to see what kind of infrastructure requirements they will fund in the next four years. You also need to look at the infrastructure requirements in the next 10 years in terms of growth corridors that are occurring, for example, within southern Tasmania so you can start planning your infrastructure as well as your land release to defray the costs and in a more equitable way rather than asking somebody who is building a new house to foot it.

Mrs SMITH - So do you think the five-year requirement that the Attorney-General has put on to review planning schemes - there is no more of this 10, 20, we will get around to it when we can find someone - is that going to assist in some of the land issues because every five years they are going to be forced to say, 'Where are we now?', rather than catching up as we have?

Mr ROCKEFELLER - I guess the chairman would probably have a better feel than many of you unless you were in local government yourselves. I do not think councils have the capacity to review it every five years and it depends what type of review and then allowing further costs associated with it. I believe that it is a State government type of initiative in terms of looking at regional areas and identifying different places and working through. Those types of reviews are so expensive to do unless they are done in a more 'big picture' way.

CHAIR - The legislation indicates that there does not have to be a full-scale review. Basically, the councils look and assess whether it needs to be reviewed.

Mr ROCKEFELLER - I think the State Government has to be more proactive.

Ms MASSINA - Absolutely.

Mr ROCKEFELLER - But taking your point, Sue, what ended up happening in California when I lived there is they had all different types of requirements in terms of affordable housing. Their problems were huge and they still are because you have such a number of illegal immigrants coming from Mexico. Their attitude was to put these sorts of costs on developers so the person who actually got that low-cost home, sort of like won the raffle, so effectively on day one the home was worth \$250 000 and they actually won the raffle at \$100 000 and then they might have to keep it for three or four years and then they sell it and they have made a killing. So, effectively, that one person has done really well out

of it but the other five people who missed out on the raffle actually received nothing, and I am just using that as one example. They then said that if you build you have to have so many affordable housing units and then pretty soon they were then able to be transferred from development to development.

I think a far more Metro-type of thing with Housing where you are putting real houses on the ground, you are controlling them or you are freeing up and lowering the costs overall for a new house is what is important because it improves the lot of everyone and not just the person who has won the lotto.

CHAIR - Can I just clarify something. The Government have picked up recommendation 1 - well done - on the State housing policy. The rhetoric in the speech though is fairly narrow just for local government planning schemes, and you have raised a number of items.

Mrs SMITH - If you have looked at the Coastal Policy, do you really think you are going to get a housing policy that is going to achieve anything?

Ms MASSINA - I suppose a glass half empty a glass half full, the Government has made this commitment. We will certainly be encouraging, as we have indicated, the items that we would expect to see in a housing policy.

CHAIR - You will be pushing for that?

Ms MASSINA - Absolutely, or it just basically means that we have a lovely piece of rhetoric that does not actually -

CHAIR - I have been arguing that point late today.

Mrs SMITH - What do you expect in it?

Ms MASSINA - Basically, as we have said in recommendation 1, we would like to see some priorities for affordable housing and social housing. That will obviously affect our members in terms of who are approached to put affordable housing on the ground. It means that the State Government has to openly take some responsibility for land supply and urban renewal in partnership with local government. The Property Council has been arguing for a development assessment forum which is a Federal Government initiative, which our State Planning minister has signed off on in principle. We have been requesting that processes be picked up so basically there is a clarity and a more efficient and effective way of actually dealing with development assessments across the State.

We have sort of said that maybe one of the ways of looking at it is having an expert panel that is there to assess residential development projects.

CHAIR - For any project?

Ms MASSINA - Any project.

CHAIR - I thought you said that.

Ms MASSINA - We were floating the idea that if you were to have an expert panel given some of the concerns that have been raised in the community and the time lags in terms of approval around Housing Tasmania properties, then maybe this might be another way of expediting that process.

The other issue is that within this State housing policy one of the issues that we keep hearing from a developer's perspective is a lack of clarity between the partnership between public and private in terms of building affordable housing. The idea of having a State housing policy might clarify some of those principles and terms so that they are in concrete rather than something that sits out under Housing Tasmania, for example.

I think the last time when we came to speak to the committee we had a quick chat about metropolitan planning so it is just that issue of ensuring that State and local government, as well as key stakeholders in the community, sit down and plan for the way that, say, the southern region is going look in terms of employment, industry and housing.

Mr ROCKEFELLER - In relation to incorporating affordable housing in new inner-city developments, that is all about density bonuses. I would say, instead of forcing someone to have a house in a subdivision which is an affordable house, what you are better off doing is providing bonuses whereby you can get higher density if you provide affordable housing.

CHAIR - Brisbane is a good example of that.

Mr ROCKEFELLER - It is a positive way of trying to force outcomes. One of the problems they have in the State is that they have made housing subdivisions so small that they can't cut them anymore, so that is why they might have to have an affordable housing unit because the block is so small. In Tasmania blocks are generally quite large. Also in terms of a lot of areas, it is quite difficult to get density in those types of things - tight ratios and things. By changing that up, in terms of wanting affordable housing, it is a far more positive way of saying to a developer, 'If you can get an extra two on this site, if they are affordable' - that to me is a better way of going because it is lowering the cost. It lowers the costs the other way, but in my mind it increases the cost.

Mrs SMITH - That is the difficulty. Our policies in the past have been unworkable. They are so broad that they are interpreted however you like, but it was a policy of government to do that because we are different and distinct. The density issue in Hobart or Launceston is more important than a density issue in Wynyard and a policy will have to offer the same incentives right across the State. My concern is that we might end up with a housing policy that says, 'Develop as must' rather than 'The incentive is'. That is what our policies have done in the past - 'You won't, you won't' not 'If you do'. So it has made the developer have to think rather than the incentives come out of the policy, 'This is what we can offer to make'. I said yesterday that I have seen the State Coastal Policy, I have seen the Protection of Agricultural Land policy, and I think it will be something stamped on 'you must take into account the State Housing policy' and that policy will say things like, 'The mainland have', 'you must put in a certain amount of affordable housing', not that 'if you put it in, we will allow some diminution of usual requirements'. I think that is the big debate that someone will have to push or we are going to end up with more of the same.

Mr ROCKEFELLER - You are probably right and I think that is where a lot of those policies get developed without understanding what the market ends up doing with them.

CHAIR - The people who operate the market have a different perspective to the people who operate bureaucracies.

Mr ROCKEFELLER - Yes, but I think you have seen it in the whole affordable housing situation over the last five years, that the people who run it do not talk to the market when in fact they should be talking to the market first and then developing their outcomes accordingly.

Ms FORREST - You need someone with a vision to look at what the future needs are going to be, where the future growth is, whether it is on Hobart, the north-west or the east. There is no point only having a very limited view about where things need to be.

Mr ROCKEFELLER - I agree with you. Obviously everything is so Hobart-centric.

Ms FORREST - Yes.

Mrs RATTRAY-WAGNER - I'm glad that's on *Hansard*.

CHAIR - Nathan he is not here today; he is away this week but he has asked me to clarify a couple of things.

You in your submission claimed that local government development plans are adding to the cost of housing in those low incomes and LGAT - the Local Government Association of Tasmania - in its submission does concede that there are shortcomings in the planning system but claims that many Tasmanian councils generally meet the 42 days statutory time frames, that the fees collected are less than the planning services costs, that there is no evidence of a land supply shortage in Tasmania and that planning regulations tend to protect the interests of the community. Any response?

Ms MASSINA - Yes. In terms of the fees, the way I look at it is when a development goes up for assessment it might go through that normal 42 days and that is great but it also may stop and start through that process as well. If further information is required et cetera or some clarity around the advice that has been provided by the developer that all adds to the cost. So whilst, for example, from a local government perspective their fees seem quite reasonable, what is the problem? You have to consider it from a developer's perspective in terms of the costs that are required to provide extra information or if a development is stalled whilst the information is provided.

CHAIR - Being the devil's advocate, the Local Government Association would argue that that is the developer's fault for not being -

Mr ROCKEFELLER - We are probably looking at it more from large-scale land releases and those types of things and that to us is where the fundamental problem is. LGAT might not say that there is sufficient amount of land. I would argue that the thing that has gone up the most is the cost of a block of land. Now there are issues relating to that - in my mind there are effectively only two. One is the supply of it and then also the cost of the infrastructure relating to that land.

The current process to unlock land is long and cumbersome and that is the perspective from the affordable housing issue -

Mrs SMITH - Are you talking unlocked as in having to change its zoning as well as or just the development?

Mr ROCKEFELLER - Correct.

CHAIR - What is interesting in this discussion this morning and it has just occurred to me is that the information which has led to the current planning scheme restrictions is 15 years old and there has been a boom since then. Are you aware of any more recent study that has been done?

Ms MASSINA - Not to my knowledge, no.

CHAIR - There is probably a critical point.

Mrs SMITH - When times were tough certainly on the north-west coast, that is when infill happened -

Mr ROCKEFELLER - Exactly.

Mrs SMITH - a block here, a block there, because no developer was going to go out and do a large-scale development so I think you have caught something there, that most certainly a lot of infill has happened - that new house in amongst a lot of old ones or whatever. A lot of the times lines I think, and this is why I asked the question, is it about rezoning of land right through because it can be 18 months to rezone from rural into residential. You are saying that needs to be tightened?

Ms MASSINA - Yes.

Mrs SMITH - That process of will we change it won't we et cetera?

Mr ROCKEFELLER - I give this analogy: to survive in business in Tasmania for about 15 years from about 1991 to 2002 you had to live on the smell of an oily rag otherwise you would have no capacity to survive. It did not matter if it was State Government, local government or business or whether it was a person running a household. 2002-03 we had two things going on. We had hot money coming from interstate and it went into a lot of regional areas including Tasmania so it increased property prices and, at the same time, you had the State Government increase the wages and salaries of the workers in parity, which ended up having a significant increase in liquidity. That ended up increasing property prices significantly which, generally speaking, was a good thing that has happened from economic conditions and so on. So having those changes has meant that businesses have been able to expand. But they have had this enormous bottleneck because they have to get a new shed or a new building, a new computer system and hire more people, et cetera.

The same thing has been happening in the residential sector. People have been investing, building a new home. We have had growth in terms of ages to grow 2 500 homes a year

which is going to continue on and all that infill you were saying, has been used up over that 10-year period, so it hit the wall. No-one has done any planning and no-one has put any infrastructure in and consequently, every bottleneck in the system, 18 months to get land rezoned and then put another 12 to 18 months to put in your services and then you are up to three years, if you are lucky.

So, we are going that enormous amount of problems. We have the affordable issue at the time and no supply. I guess what I am saying is that even if you changed it today you are still two-and-a-half years away from getting that. It is probably three-and-a-half years to get a house. I am saying, get the services, let alone building the house. It is those types of constraints. I am saying the State Government and local government really have not been thinking far enough ahead when, in fact, they should have probably been thinking about it in 2003 or 2004 and saw what was going on. Hit 2007.

CHAIR - Part of the problem was, back in the early 1990s local and State governments thought they were thinking a long way ahead, but it was based on the predictions of a static population and no-one foresaw the boom in the early part of this decade. That is where it has gone wrong.

Mr ROCKEFELLER - Correct.

Ms MASSINA - Also too, from a local government perspective, it is a small piece of an overall process that, as developers, our members have to go through. What the Property Council has been arguing about and seeking, and there is as much onus on us as well, to educate, is the fact that from our perspective we deal with a variety of stakeholders, local government being one of them. If there is a hiccup there it will blow out a project and there is this expectation that if you are the top end or big end of town, then you have money to sit there and burn, whilst you wait for these processes to be hastened. Ultimately what that does is incur a greater cost. That cost then gets passed down to the customer because of commercial reality.

Mr ROCKEFELLER - I think, as many of you know, the restrictions on local government to borrow money and all those things, make it really difficult to put in infrastructure and then plan for the future when in fact your hands are so tied that something comes up and you cannot do anything about it. I think things have to free up if you want to get the infrastructure and the services and release land. Local government needs to be able to borrow money to invest in those things and it is very difficult. I might be wrong, but that is just me, as an outsider, looking that the system.

Mrs SMITH - In the same way you made the comment that when one slows in the process it slows everything, because as a developer, you are dealing with other things as well. One of the things that came out from a planning schemes committee that I sat on was that there are no time lines. When you put it into local government, they have a time line, but the clock stops when it goes to Transport because there is a 600-lot subdivision and we need to know the opinion of Transport on the roads, in and out, et cetera. The clock stops when you go to Heritage and if someone decides, even under the legislation now, they can dump a request in after you have decided to invest something and that can involve a 12-month time line to give everybody due rights et cetera. So 42 days is a quirky time line because the clock does stop under law every time you have to go externally. Should we have time lines everywhere or does that make it impossible when

you get something that really does need a lot more? That is one of the difficulties in all of this.

Mr ROCKEFELLER - I think what your committee is doing is terrific and what you are looking at and the state of the State-type of speech demonstrates that you are making your mark in terms of it is on the agenda. My only advice would be to keep your recommendations as simple as possible because I think once you get into a lot of those areas, as you know better than me, it starts complicating things. I don't think you can take rights away from people in terms of time frames and those types of things. It is very difficult.

I think where the problem is, though, is transportation and the State Government should have been saying three years ago, 'Look, we want a housing subdivision here and this is where we are going to put the roads', before someone comes with the housing subdivision. That is my issue, it is the actual vision thing and they haven't been focussed. I will give you an example, I think the Brighton transportation hub is just fantastic. It not only has really good economic outcomes, I think it will have fantastic social outcomes.

I drove out there and even though I don't know if they actually control the land yet. They are going to invest all this money. I said, 'You should look across the street and control all that and buy it, and do a master plan because you will have industry wanting to locate there and all those things'. If you let private enterprise do it, they will have little bits and pieces and it will look really ordinary and it will not come together very well.

They have a vision but the vision is very narrow when, in fact, the vision should be much broader if you are going to invest \$50 million or \$100 million and then make something absolutely fantastic. I am using that as an example whereby governments are not thinking hard enough about the future and to me they can speed up the process by doing a bit more thinking.

CHAIR - The Tourism Council put in a submission about seven or eight years ago, which I know because I wrote it, on exactly the same basis that tourism development was being restricted because of the lack of regional planning and what planning there was was not tied in with infrastructure planning for the State.

Ms MASSINA - Yes. If you have an infrastructure plan it is the clearest signal to the marketplace of where you can go and plan for your development. I suppose you sit back and go, as Bruce has been saying, where is the vision? What do we want Tasmania to look like and where do we want to encourage economic growth?

Mrs RATTRAY-WAGNER - It is taking a lead and not just playing catch-up all the time.

Mr ROCKEFELLER - Yes, because in the end from a developer's perspective or an investor's position you have a limited amount of time, a limited amount of opportunities and if the local or State Government does not have it through to speed up the process it is just as likely that by the time a person is going to build he has had numerous other problems and he will pull the pin. I always believe if you can speed up the process, hopefully you will achieve that development or that subdivision or whatever. The longer it takes, the more things can go wrong and you are more likely to lose it.

CHAIR - I am conscious of the time. Are there any other points the council need to make that they have not made?

Mr ROCKEFELLER - Probably not. I think the GBE is a great idea. I think the land tax issue needs to be looked at. I think the decrease in Housing's involvement in the rental market has been a major contributor to the whole affordability issue. They are probably my three main issues. From Mary's perspective it is more the land supply, the infrastructure and metropolitan regional planning land availability.

CHAIR - Thank you for coming back again.

Ms MASSINA - Thank you for the opportunity.

Mr ROCKEFELLER - Sorry, can I just make one comment? This whole housing and education thing is I think phenomenally important.. When you look at the ENI, the economic needs index, and where the highest need is you find them in certain areas. If you extrapolate that to the educational outcomes they are extremely low.

If demographic change is to be treated seriously it is not about how the baby boomers are going to be looked after, it is how we raise the productivity and increase the participation rate of the young people in the State. The goal has to be that ever person born from here on will become employed and a productive individual within the community. If you look at it today that is not necessarily the case, but we cannot afford to have such a high rate of people leaving the work force. I call them the low-hanging fruit. I see the whole housing issue, and particularly what I call state housing, and education outcomes being linked. A GBE becomes even more important within the overall investment strategy so they can actually focus on urban renewal. This renewal is important not just from the physical sense of houses in the environment but it also in the social sense of education and making people far more productive and giving them a much better opportunity to be contributors in 10, 20 and 30 years' time.

CHAIR - Can I get you to expand on that for the sake of *Hansard* because you are talking about recommendation 2 in your report. Robert, I know you are making a significant investment in the Bridgewater/Gagebrook area.

Mr ROCKEFELLER - Yes.

CHAIR - What do you think can be done? Most of that area still consists of State Government-owned housing. What do you think can be done to improve that area?

Mr ROCKEFELLER - There is probably a range of things. The first one, I think, is the whole redevelopment of the houses, fixing them up and doing them up. I think the second one is the environment in terms of trees, parks, gardens and those types of things so people are a bit more inspired. Again it has an economic outcome because the value of those houses will go up in a capital sense. The third one is -

CHAIR - Just on that point, the aesthetic improvements, you are talking about a government that is really not maintaining the stock at the moment -

Ms MASSINA - No, that is right.

CHAIR - They have no money to buy new houses, which is a big part of the issue we are talking about. How do justify saying that Government should do the aesthetic improvements?

Mr ROCKEFELLER - I would say that every \$1 they would spend it would actually be worth \$2. Obviously they might not earn an income from it but they will certainly earn a capital appreciation from it. From my own business perspective, to be perfectly honest, I would rather have capital than income. I get taxed on income but not on capital, effectively.

Mrs SMITH - Terry, if I read you right, you are coming from the argument if you go out - and certainly aesthetics improve a place - spending money on aesthetics while you still have not roofs over people's heads -

CHAIR - I am being the devil's advocate because I think I know where Robert is coming from and I think there is some merit to it, but I will just get you to expand it.

Mr ROCKEFELLER - From a pure economic perspective you cannot have a property and continue to milk it and milk it and milk it because pretty soon it will fall down if you do not paint it and you do not fix it up. People then do not appreciate it much either, and that is understandable -

Mrs RATTRAY-WAGNER - So you either sell them on but you have to keep building at the other end new places that have no maintenance or else you look after the ones you have?

Mr ROCKEFELLER - Correct, and this is how crazy it is. If you sell off the house you will get \$130 000 but to go and replace it it is going to cost you \$260 000. If it was me, I would put \$30 000 into the house and, believe it or not, it will be worth \$200 000.

Mrs RATTRAY-WAGNER - We have seen that on the renovation makeovers.

Mr ROCKEFELLER - It is a no-brainer.

CHAIR - What you are saying is that State housing is no different than any other commercial or essential development that you would do as an entrepreneur.

Mr ROCKEFELLER - It is an asset of the State and they are not maximising the value of it.

Mrs SMITH - But it is not seen as an asset, it is seen as a liability by the department that has to manage it. It is seen as an asset on the books of Treasury but it is not seen as an asset by Housing because they are always playing catch up.

Mr ROCKEFELLER - Or, alternatively, the way they are being restricted in relation to the management of their business is that they can only be viewed as a liability because they are being restricted in terms of the way they would like to operate it. So I am not saying Housing is doing a bad job, I think probably with the restrictions they have they are doing a fantastic job so I am not going to be critical as I do not know how that whole

system works. But then taking the point further, if you are improving the built environment how do you then improve the educational outcomes? When you look at the education sector and the way they fund it, they fund education on a macro basis. Every school is effectively treated the same and then there are certain minor adjustments. When you look at the outcomes of these schools the gap is huge - absolutely huge.

Then you ask what you have to do to improve the educational outcomes. I will give you an example of the Bridgewater-Gagebrook area. For every child between zero and four there is one early year's place in childcare I think for every 17 children. If you went to Sandy Bay there is actually one for every two children. If you look at the investment, and obviously that is not an economic driver, but let me say this, there is an economic driver when that child is 16 or 17. We have to make them productive. I am not saying anything is wrong with education - Launching into Learning and so on is all fantastic. They are trying, but the actual amount of money required to lift those areas is significant and has to be micro-managed. Then you say, as a developer or as a State, 'I've got hundreds of millions of dollars invested in Bridgewater and Gagebrook' - or wherever else. 'I've got a number of different investments here. I've got housing, education, the social welfare elements, police, prisons' and we say, 'Well, how do we maximise our return?' It is a no-brainer because they have an economic driver. If they are able to change the area, get lower unemployment, higher retention and get the students better, that house in which you have just invested \$30 000 - so it has gone from \$130 000 to \$160 000 - in a matter of 10 years it will be worth \$250 000 or \$300 000. They will have just made themselves \$200 million or \$300 million and they have probably put \$50 million into the education system. Treat it as an asset because you need these people.

CHAIR - We need the work force.

Mr ROCKEFELLER - That is exactly right.

Ms MASSINA - If we are suffering a deficit in our skilled work force now and ageing -

Mr ROCKEFELLER - We are going to start suffering a deficit because everything is being pushed up the food value chain. We need someone who is going to do the lower-skilled jobs. The US has been lucky in that it has had Mexico - and I don't mean it in a -

Mrs SMITH - No, but we did it as a society. We all expected that our children would be computer whizzes and we forgot that some are fabulous with their hands. They went out of the classroom with the gardener and he found them a job with his mate because he said, 'This kid's good with his hands' and they have become the most productive people. There is a shortage of their skills in our community as it stands at the time - while we all said we wanted out kids to be up there. We did it as a society.

CHAIR - Some schools like Rosetta High School - because the principal has realised exactly what you're saying.

Mr ROCKEFELLER - Correct. There is a massive group that do not even get to Rosetta High School. The point I am making is that 10 years ago you couldn't argue this point because you had unemployment at 12 per cent or 13 per cent. We were looking at surviving from day to day.

CHAIR - And youth unemployment was over 20 per cent.

Mr ROCKEFELLER - It has changed a lot. The State houses were only worth \$60 000; today they are on average \$130 000 or \$140 000. The whole economic arguments have changed significantly. People really understand the demographic change. There is a social reason to do something but we do have good economic drivers. Where there are economic and social drivers, it should be a no-brainer.

CHAIR - Thank you for coming along. You have given us a lot of information. March 1996, is that the paper I am talking about? The land supply one?

Mrs SMITH - Future Urban Development and Infrastructure Provisions for Greater Hobart.

Mrs RATTRAY-WAGNER - It is a really valid point. There is probably lots and lots of land around but people don't necessarily want to sell it or want to do what somebody else thinks would be a good thing to do with it, so is it really available? Perhaps not.

Mr ROCKEFELLER - Just the games between Kingborough Council and Housing Tasmania in relation to Huntingfield over the last decade have been significant - to think that is still zoned 'rural'.

CHAIR - It is interesting - at Glenorchy we were criticised in a front-page story in the *Examiner* for the development front going north of Glenorchy, yet it is nearly all full now.

Mr ROCKEFELLER - That is exactly right. Let's face it, it was five years ago. You are referring to Granton and Austins Ferry. You couldn't give those blocks away.

CHAIR - No, and now it is prime real estate.

THE WITNESSES WITHDREW.