

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON HOUSING AFFORDABILITY IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY 16 NOVEMBER 2007.**

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**INQUIRY INTO HOUSING AFFORDABILITY**

**Ms MARY MASSINA AND Mr ROB ROCKEFELLER**, PROPERTY COUNCIL OF AUSTRALIA WERE CALLED AND RE-EXAMINED.

**CHAIR** (Mr Martin) - Welcome, Mary. We have also invited Tom Mueller from TasCOSS, to get the two different perspectives from the development sector and the community sector about the minister's forum and whether there is anything coming out of that that you think the committee should know.

**Mrs SMITH** - We want an opinion from the development side of the forum process, considering that our request for the chairman to attend was not agreed to by the minister.

**Ms MASSINA** - The Property Council was one of a number of business representatives that were invited to the forum. The Master Builders Association, the Housing Industry Association and the Real Estate Institute were the others. On one hand it was a good thing to attend; it was good to have the business sector and the property industry recognised as an important stakeholder in the discussion around affordable housing. I think in some respects it indicated that there was quite a gap between understanding where the community sector sits and the commercial realities that the community sector needs to get its head around and where the property industry sits. I think forums of that kind have the ability to bridge that gap and it is something that we hope would occur.

**CHAIR** - Did that happen?

**Ms MASSINA** - I do not necessarily know that the way the day was formatted could realistically allow for that. We were broken into small groups to discuss some of the barriers and opportunities to meeting the demand side. There were about four or five business representatives amongst a plethora of community sector people. There was at least one business representative in each of the five groups. I think it is a first taste, if I could put it that way, in terms of building that bridge of understanding.

I think if you looked at the HIA, the PCA and TasCOSS, you would see that we are already having that conversation so we are really starting to bridge the gap. But in terms of the wider community sector, I think there needs to be some kind of understanding of that commercial reality. That is work that I think government needs to facilitate. It is also a responsibility on both sectors for us to work towards a better understanding as well.

**CHAIR** - What is your understanding of the process from here on? Is there going to be another forum?

**Ms MASSINA** - My understanding of the process is that, under the agency sector forum, the executive of Health and Human Services meets with peak organisations from the community sector. Quite a while ago there was a project between DHHS and the community sector to facilitate better strategic conversations about key issues affecting the community sector, as well as affecting DHHS. This forum to facilitate that conversation - the agency sector forum - was developed. As I understand it, the minister is intending to use the ASF as that forum to continue further discussions around affordable housing, in which the business is invited to participate.

**Mrs SMITH** - So you are now being included in what in the past was seen as community sector and the DHHS hierarchy - so they are expanding it into the business sector?

**Ms MASSINA** - That is the message that was out there at the forum. I'm not really quite sure whether the terms of reference covering the ASF would have necessarily allowed that. I have not had any further discussions with the minister's office as to how that's going to work.

**CHAIR** - Was the forum supposed to be the first step in developing the State policy that was promised in the state of the State address, which was your number one recommendation?

**Ms MASSINA** - That certainly wasn't my understanding of the forum. My understanding of the forum was to look at Housing Tasmania and the models by which you provide social/affordable housing. It certainly was not looking at a holistic approach to housing on a State level.

**CHAIR** - So it was primarily focused on the public housing side of the equation?

**Ms MASSINA** - Correct.

**Mrs SMITH** - In the paperwork we have been sent there is not a mention of housing policy or private enterprise in this whole process. The fact that you can change the terms of reference in the department should be encouraged to ensure that all the key stakeholders sit around the table.

**Ms MASSINA** - That was certainly one of the comments we made in one of the working groups - the need for the private sector to be included at the negotiating table. One of our concerns has always been - and with previous hats on I can understand that DHHS tends to think only of the community sector when requesting the private sector to deliver bricks and mortar on the ground - that there is a need to bring major or key property stakeholders to the table prior to a model being released. That way you are encouraging the private sector to be involved.

**CHAIR** - Was there a particular model being pushed at the forum?

**Ms MASSINA** - There were certainly a number of models that were highlighted through guest facilitators' speeches. I suppose one of the key models that was highlighted was the community housing trust/organisations on the basis that it would facilitate Commonwealth rental assistance and be exempt from GST and FBT.

The community housing trust is a model that was discussed quite extensively.

**Mrs SMITH** - You touched on the community housing trust model. Was there some discussion about the model there at the moment - the Tasmanian Affordable Housing Limited model - and people's perceptions of that?

**Ms MASSINA** - No, not really. They certainly highlighted it as a model that is in existence at the moment as one way of facilitating affordable housing, but it certainly wasn't a dominant feature of the conversation.

**Mr ROCKEFELLER** - They saw that they made a suite of different models to deliver outcomes in the sector.

**CHAIR** - At the end of the day, was there a preferred outcome at the forum in terms of the future of Housing Tasmania?

**Mr ROCKEFELLER** - I guess I would classify it in terms of the housing stock, they probably left no option but to probably go down the transfer of housing stock to the community sector. If you are referring specifically to that issue, there were no other options presented. Given that no other options were presented, it meant that that was the only conclusion, and given that the facilitator wanted to aim things down that way.

**Mrs SMITH** - Am I to gather from that that there was a perceived agenda at the beginning of the day that was worked through for the day? You don't have to answer that political question. I will form my own conclusions.

**CHAIR** - At the start of the day what were the stated outcomes that were expected for the forum?

**Ms MASSINA** - I don't think there were any stated outcomes. I think it was more an encouragement to have a discussion about the issue of affordable housing and presenting the situation that Housing Tasmania is currently in. I suppose in some respects it was going over information that the majority of stakeholders in that room were fairly aware of, which is the state of affordable/social housing in Tasmania currently and the issue of housing affordability.

**Mr ROCKEFELLER** - Just taking that comment a bit further, I think it was also trying to give the minister some level of understanding from the different stakeholders of what their positions were. So, say, she is developing in her own mind or the department's developing a position paper where they would like to move that the minister has a political understanding of where all the other different stakeholders are coming from and the issues she would probably have to face. I think that was very much, I felt, one of the reasons for the minister being there for the whole day - to get the feedback from a range of different people.

**CHAIR** - Probably what she would have received in the feedback situation would be some contrasting views and the gaps between the 'development sector' prepared to the social

sector which you mentioned before. Can you describe what you think the gaps between the two sectors were during the day and whether there is any bridging?

**Mr ROCKEFELLER** - I do not think there were really any gaps. I think the gaps were more in the community sector, where the department wants to take things like rent increases as far as percentage of income and those types of issues. From a development sector I think there is an understanding that whatever way you cut it requires some level of subsidy; there has to be a lowering of costs. I did not feel the development sector is sitting out there at cross-purposes.

**Ms MASSINA** - No, but I think the gap between the community sector and the property sector is this understanding of what we would classify as commercial reality. If you look at the variety of stakeholders from the community sector, it is not surprising that there is a lack of understanding about what drives the property industry in terms of putting properties on the ground. That is why, at the beginning when I was talking about bridging that understanding, that knowledge base is something that we would need to do.

**Mrs SMITH** - Is it fair to say that you believe the Government is now facing commercial reality? They are perhaps in the middle of the two sectors now, rather than to one side.

**Mr ROCKEFELLER** - I think that is very much the case. I think they are in a dilemma about which way to go. It would be a really interesting question. They talk about this transfer to the community sector and they talk about the UK model, but I wonder if you went to the UK today how affordable you would find housing. I think you would find that it is extremely unaffordable and transferring to the community sector is not some sort of panacea. I have not done my analysis. But it is all about getting supply on the ground at an affordable cost, and I can guarantee it is not happening in the UK.

**CHAIR** - Any other questions?

**Mrs SMITH** - No, I have the message loud and clear.

**Ms MASSINA** - I think that the issue of affordable housing needs to be widened into the context of providing housing in a holistic perspective, from a whole-of-government perspective. A comment made during the forum was that government needs to look at the whole picture because it is not just providing affordable/social housing but also ensuring that the levers that are firmly in the hands of State and local government to facilitate housing affordability are pooled. There is an argument to say that there should be a whole-of-government strategy towards housing and that if you were to gather all the work that is currently being done across all of the agencies, you would probably find that there is a fair amount of that strategy either being developed or in the process of being implemented. That would certainly go a long way to fleshing out that State housing policy and moving it just beyond planning.

**Mr ROCKEFELLER** - Can I make a couple of comments? I thought it was quite interesting that the facilitator was involved in Centrelink and the development of different job providers. The claim was that it has not been all that successful in his eyes two years on, yet the facilitator was advocating the transfer of housing to community sectors. I wonder if in 10 or 15 years' time he will have the same position.

**Mrs SMITH** - That's an interesting comment. Considering that the move appears to be a transfer of stock to community centre, do you see a danger that we may be setting ourselves up? We have to live within government policies, and they are clearly doing it for the rental benefit to the Commonwealth. If policy changes at a Federal level, where is the not-for-profit community sector with a heap of housing stock and not that support? Is that a danger that we are solving a problem today to create a big one out there tomorrow?

**Mr ROCKEFELLER** - Very much so. How can a community sector fund the shortfall in terms of maintenance? They are going to have the same shortfalls in terms of financing costs. Sure, it helps the Government effectively from a cash-flow perspective, because you are talking about cash flow instead of capital. I personally find it extraordinary, just as a philosophical position, that you would go along the lines of transferring hundreds of millions of dollars of taxpayers' assets or residents' assets to an organisation. You have to say, 'Who's more capable of raising capital and investing capital, a community sector organisation or the State Government?' I question that position.

The second position, which I think is really fascinating, was in answer to a question I asked. I said, 'Over the last 10 years you've received \$2.4 billion in property taxes from the property industry through land tax or stamp duty. Land tax and things like that have trebled or quadrupled and to think that, as a government, you are receiving these massive increases of income from a particular sector without really looking at what is going on in the sector. Effectively you have had no investment in public housing, so a decade on there are going to be repercussions'. The answer from the facilitator, which was supported by government, was, 'Just because money comes from particular sectors there should not be an investment back into that sector. Government has to look at a whole-of-government approach'. It was then taken to a standpoint where a taxpayer pays tax, but the Federal Government doesn't give it back to that taxpayer. There is a lack of understanding by government of where you get increases in your tax base. There is a reason for that and there are going to be repercussions within that sector. Ten years ago they had 9 per cent of the total housing in the State and today they have around the 7 per cent mark. What has gone on?

**CHAIR** - In your previous presentations to the committee you have strongly made the point that Housing Tasmania should see their stock as an asset rather than a liability. We did put that to them and the response was that it is clearly a liability in their eyes because they do not have title. Do you want to reiterate what you said before, or do you disagree with that?

**Mr HARRISS** - Mr Chairman, in addition to that there are caveats on the flow of Federal funding and there are things such as the Commonwealth rent assistance and components of what Housing tenants get to help supplement their availability for funding their rental house which do not come unless you are a public housing authority. Those caveats also put constraints on that stock so it then becomes in the eyes of government more a liability than an asset.

**Mr ROCKEFELLER** - I think when you are controlling large amounts of stock it is very much an asset, because it is a significant lever in you run your policy. So just viewing it just from a perspective of not having control is, I personally think, dangerous. Along with control of an asset in itself is the associated investment opportunities, given the

amount of land, et cetera, they have around those houses, given the opportunities in terms of many houses in the areas are on large blocks and you can split off the blocks, which is what I guess is what a private person would do. So they are restricted by their lack of capital from having a creative approach in relation to delivering better housing outcomes. They are being constrained by focusing on an income side, not on the capital side and the capital opportunities. So they do not look and say, 'This is quite a large block of land, we can cut this in two', but if you had a private person look at it that is exactly what they would be doing. They would be asking how they could maximise value.

Personally, I do not think they understand property. It is as simple as that.

**CHAIR** - Any other comments on that? I understand the - I have a mental block on his name, the chairman of the Canberra - apparently he was the presenter at the forum?

**Ms MASSINA** - To my knowledge, no. I do not remember.

**Mrs SMITH** - I might have been a bit pointed about his facilitating.

**CHAIR** - No other questions? Thank you again for coming in and setting a potential world record for appearances before a select committee.

**Mr ROCKEFELLER** - Good luck with it all. We know it is a very difficult subject.

**CHAIR** - I think we are off to a good start with the deliberations though. So thank you and I will see you at lunchtime.

**Ms MASSINA** - We are quite happy to come back.

*Laughter.*

**THE WITNESSES WITHDREW.**

**Mr TOM MUELLER, TasCOSS, WAS RECALLED AND EXAMINED.**

**CHAIR** (Mr Martin) - Welcome, Tom. The reason for inviting you back was that our request to be involved as a select committee in the forum was rejected. We are keen to gain the opinions from both perspectives - the development sector and the community sector - on what you thought of the forum and anything you think we should know as a committee.

**Mr MUELLER** - I think the forum was valuable for a range of reasons. I think there was a little frustration amongst all the participants that we had been there before, but it doesn't necessarily mean it wasn't a valuable exercise in all coming together again and looking at some of the issues. I think Housing Tasmania presented a pretty clear picture as to what has happened over the last decade, reinforcing the message that Commonwealth and State-based funding under the Commonwealth-State Housing Agreement has declined by 30 percent. Housing Tasmania's message, particularly from Peter Hoult who was giving the presentation, was that Housing Tasmania has done everything it can to ensure it is running an efficient operation in terms of the upkeep of the properties and the way in which it buys in maintenance. Their view is that they have done everything they can in terms of cost efficiencies and if there is no additional capital going into Housing Tasmania properties the only choice they will have is to continue to sell off existing housing stock. They put up graph - which you can see from Peter Hoult's presentation up on the web site - about what will happen over the next 10 years if there is no additional funding going into Housing Tasmania. You will see a decline in public housing properties by around 1 500. They made the case - as the Property Council was saying - around the model for growth providers - that is, the transfer of stock to growth providers who can use that stock to leverage private sector capital, whether that be superannuation funds, mum and dad investors or other people in the private sector. Peter Hoult was very clear that when he worked in Housing in the 1980s everybody said it was bugged and there was a financial crisis, and coming back in this year a lot of the challenges are the same. When asked, 'If you transfer the stock, how do ensure that Housing Tasmania is put on a viable and sustainable business footing?', he said that you needed somewhere between \$17 million and \$25 million in additional recurrent funding each year.

**CHAIR** - Additional?

**Mr MUELLER** - Yes, additional. That certainly fits with what the community sector believes is a minimum. We have been calling for \$30 million. The sector has said that \$25 million will enable them to put Housing Tasmania on a viable and sustainable footing. I am happy to take their word that that is what is needed to meet the recurrent funding needs of Housing Tasmania. I think one of the problems is that when we are talking about housing affordability it is obviously very broad. It is a whole range of different issues, from home ownership to people in the rental market. For TasCOSS and TasCOSS members, while home ownership is critical, mechanisms that support people in home ownership are critical and relief in the private sector is critical, the core part of the whole housing system is social housing. Unfortunately, the reality is that yes, while it is a question of supply and access to capital, the State Government has demonstrated over the last decade that it is not going to put in the sufficient capital needs. The Commonwealth Government has demonstrated over the last decade that it is not going to

put in the additional capital needs. The private sector, while obviously having a very important role in property development, in getting new properties on the ground, increasing supply and increasing opportunities for home ownership, it will not get the rate of return required to increase the supply of public and social housing which is crucial for those people who are struggling with the housing crisis.

We have a supply question and a capital question, and the fundamental issue is how you get access to capital to increase supply at the public and social housing end. That is where Housing Tasmania's view comes from in relation to stock transfer, in that it would enable you to establish one or two or three growth providers who could use that stock to leverage in private finance. It's certainly been done elsewhere. It might not have solved the housing affordability issues in the UK, but it has put more social housing on the ground. What we would argue is that if there are a range of safeguards put in place then stock transfer is a model that is worth investigating. It needs to be appropriately regulated with a robust regulatory system; the stock should not be transferred unless the transfer deeds are based on a written clause that the stock has to be used to increase supply. There needs to be robust protection for the rights of existing tenants. You cannot transfer the stock and leave the existing tenants worse off. The transfer of stock cannot be a mechanism for the State Government to further gut Housing Tasmania by either giving away all the best property or creating a model that will not work by transferring all the worst property which will leave the community sector with all the problems to deal with. There does need to be strong regulation, there does need to be protection of tenants' rights and there does need to be a balanced transfer of stock that will enable any growth providers to put new properties on the ground. In short, I think it was not an unworthwhile exercise. We learnt that there needed to be \$25 million put into Housing Tasmania. We put the model up there on the transfer of stocks and the question for us is how to make it work to ensure that public housing tenants are not made worse off.

**CHAIR** - What you have just said about the viable options would be being looked at, providing the safeguards are put in place - is that the official view of the community sector?

**Mr MUELLER** - The official view of the community sector is that we will be writing a paper looking at stock transfer and that will go out into the sector. But at this stage we certainly think that if you are going to do it and you put in place the safeguards that ensured that that stock transfer would lead to an increase in supply for people who would be eligible for public housing and people who are struggling in the private rental market, it could be an appropriate model. For four years we have called on the State Government to invest significant new resources in public housing but we have not seen it. For a decade we have seen the Commonwealth cut its funding contributions to public housing so, for us, you cannot transfer stock unless the State Government also says 'We are going to bite the bullet and invest that \$25 million to put Housing Tasmania on an ongoing viable and sustainable business footing.' If it does not, Housing Tasmania is left in the same situation which means that it will transfer stock and it will have to keep selling stock to cover the deficit in its budget.

**CHAIR** - One of the issues with stock transfers to community housing is where they get the tenants from. They would be selecting category 1 and category 2 tenants and the rents that they would have to charge to make it sustainable models for themselves.



**Mr MUELLER** - Again, this is where I think in the community sectors say there needs to be robust discussion now, looking at the details and looking at making sure the model can work. We have not seen the detail of what Housing Tasmania is recommending. At the housing forum there was also a discussion around rents -

**CHAIR** - That was my next question.

**Mr MUELLER** - so the average rent for a public housing tenant is 19 per cent of their household income. The argument is that, firstly, the mechanism for working out the rent that the households pay needs to be simplified and, secondly, that there needs to be an upward movement in that rent. The presentation by Owen Donald highlighted that across the nation the average public housing tenant was paying 25 per cent of their household income. So Housing Tasmania presented a range of different models - it could be charging some people 24 per cent and others 26 per cent, or it could be charging a flat 25 per cent. Again, our view is that the system that they use to determine the rent is obviously in need of reform but as to what the flat level of the rent should be, we want to see the detail and we want to see the impact of it on people. Again, I would argue you cannot in any way make a case to increase rents unless you are going to increase investment in the stock. For example, when we had the Housing Advocacy Day, one of the blokes who I went around with and who was talking to MLCs and MHAs, made the case that the heating system has not been fixed in his property for the entire time he has been there so he has got lower costs in terms of electricity bills. We have a 20 per cent increase in energy costs on the way and if you want to increase the rents for the lowest income people in the community to raise revenue for Housing Tasmania you cannot make that argument unless you are going to put in the resources to Housing Tasmania to fix its fundamental problems.

**CHAIR** - Was tenure raised?

**Mr MUELLER** - It was raised. They went through the whole range of different options. I am not sure if they have a favoured option. I think their favoured option was life tenure within the system so that people would stay within the public housing system but they might have to move properties at some point.

**CHAIR** - As their life circumstances change.

**Mr MUELLER** - Yes. Again, that is an issue that we as a sector are happy to go away and consult with all our members, to seek feedback from everybody and to be part of the process by which they consider that issue.

**CHAIR** - Where to next? Are you going out to consult? Is there an understanding that, once your consultation is done, you go back to the Government?

**Mr MUELLER** - At the end of the forum the minister advised that under the Agency Sector Forum, which is the sector forum where the community sector and the secretaries and assistant secretaries of DHHS come together a few times a year, there will be a working group to look at all these issues in relation to new models for increasing supply, affordable housing rents, tenure and eligibility and any other issue. There will be a working group and our understanding is that they are currently identifying the members

of that working group. It will include people from HIA, the Property Council and others in the private sector.

From the community sector's position, we think the work of this committee is crucial and that the working group the minister is forming is a good opportunity because the next Commonwealth-State Housing Agreement expires in June 2008 and needs to be signed again by June 2008. So if the State Government is going to be investing in new resources in Housing Tasmania, its ability to leverage any additional resources from the Commonwealth is during that negotiation period. We think it is a good opportunity to be engaging on the details of what changes can be made to Housing Tasmania.

**CHAIR** - Was there any discussion at the forum about Housing Tasmania's debt? The attempts to get the Federal Government to write it off were unsuccessful, but was anything said about the State transferring it from Housing Tasmania to general?

**Mr MUELLER** - There was some discussion about that and Owen Donald, who was the facilitator at the meeting, pointed out that that is what happened in Victoria. While the Victorian Housing Authority is supposed to pay off the debt to the Victorian Treasury, that payment keeps being deferred each year, so essentially the debt is being carried by Treasury and is not being repaid by the Victorian Housing Authority. When we asked Peter Hault, 'You've transferred the stock but you've told us that Housing Tasmania is no longer sustainable and viable, how will you make it sustainable? What amount of money do you need to make it sustainable and viable?' he said, 'If we can get the Commonwealth to retire the debt'. Okay, I guess the challenge for the State Government was that if you don't get the Commonwealth to retire the debt, then it is incumbent upon you to make sure that the 24 000 Tasmanians who are living in public housing are not living in a model that isn't sustainable and isn't being maintained.

**Mrs SMITH** - But there is a scenario that if the Commonwealth retires the debt next year and a new housing agreement is to come up, there may not be the \$30 million in that new housing agreement anyway. Surely that has to create some concern out there that, regardless of who is in the Federal arena next year, if the debt is retired that is terrific, but if the new housing agreement doesn't at least maintain the status quo of \$30 million, that is not a solution to this gap in housing.

**Mr MUELLER** - You're absolutely right. There is no doubt that you need a Commonwealth-State Housing Agreement, whether it be the existing agreement recycled or a national affordable housing agreement, and that the Commonwealth needs to be putting up additional resources.

**Mrs SMITH** - You made the comment about the Victoria Housing Authority - and we haven't had a look at Victoria yet - how does that differ from Housing Tasmanian in its structure?

**Mr MUELLER** - They're using the growth provider model. They have not transferred stock, in my understanding - and you might want to check. They provided capital for growth providers and not-for-profit community housing providers to use that as a starting point to leverage in additional capital from the private sector. That is predominantly because the fundamental difficulty in transferring stock is that you have existing tenants and so what happens to those existing tenants? Our concern about transferring stock is in

relation to existing tenants but we are willing to have a discussion about the safeguards that will ensure existing tenants are not put in jeopardy. The Victorian model was a capital model that established growth providers to deliver new stock, as well as investing in existing public housing. I think last year the Victorian State Budget included close to \$500 million over four years for existing public housing properties.

**Mrs RATTRAY-WAGNER** - Big bucks.

**CHAIR** - How much?

**Mr MUELLER** - \$500 million.

**Mrs SMITH** - When you take a look at the Tasmanian scenario, the Government appears to be walking down the path of transfer to community sector. The stats that tell us there were 1 673 properties, as against the 1 976 that were in this paper that came out of the Housing Forum and we had evidence from one community sector that said they could take and manage 500 properties. Are we that small that a transfer of stock to make it work and for them to leverage the capital to grow more housing means that you really would be looking at Housing Tasmania doing nothing more than perhaps providing that 0.6 per cent of social housing that they do at the moment and leaving the public housing sector out in the arena of community housing? Because our housing stock is so low, is there something about economies of scale that means that, whilst it may work in the larger areas, to make it viable for our community sector we really would have to transfer nearly everything and just stay in the provision of social housing for the absolute disadvantaged disability sector, et cetera.

**Mr MUELLER** - I guess that is my understanding. I think transferring 500 would provide the base level that you need. But it raises the interesting question that in other States and Territories where there has been a transfer of stock you have had, say, disability housing providers who have provided community housing through basically the same model. There is no reason, though, why the growth providers that you could establish in Tasmania could not be national growth providers. They do not have to be Tasmanian. I think you are right - the larger the community housing provider that has the systems in place, that has the relationships in place to access private capital, the better. Obviously it would take time if you did transfer the stock to new growth providers that were being established in Tasmania. Look what has happened to TAHL - it has taken two years. It is not an immediate solution.

I guess the ultimate issue is that we actually need a systems response, we need a long-term response, we need to be increasing supply of social housing and we need to be looking at the whole issue. There are a whole range of issues, but I do not think transferring 500 properties is too little.

Can I just make another point - and I think Mary touched on it when she was leaving - which is in relation to taking a holistic perspective. We need to remember that for 31 per cent of Tasmanians their primary income is government benefit, and that 25 per cent of kids under the age of 15 are growing up in households where there is no parent in employment. Therefore, the housing affordability crisis requires a housing response but it actually requires a housing response which is integrated into a whole-of-government response to those core drivers of social opportunity, such as disadvantage.

**CHAIR** - Things like transport, infrastructure and everything else.

**Mrs RATTRAY-WAGNER** - Yes, all the things that we have touched on, such as building housing subdivisions away from essential services. That is certainly not the answer on its own and there is a raft of issues to be looked at.

**Mr MUELLER** - Yes.

**CHAIR** - Any other questions?

**Mr HARRISS** - I wondered if Tom had a reaction to this comment, Mr Chairman: A lot of where we might head to in the future, bearing in mind Peter Hoult's suggestion that an extra \$25 million is needed if the Commonwealth-State housing debt was retired, it would free up \$17 million immediately for that process and in the end it will come down to either Federal government policy or State government policy or a mix. Because the flow of State government funds into the economic and social infrastructure fund since it has been established is in the order of many millions. It could be argued that some of that could have or should have been used for an expanded public housing program even over the last two or three years. Tom, have you addressed your mind to that at all as part of the equation?

**Mr MUELLER** - From the Economic and Social Infrastructure Fund?

**Mr HARRISS** - It is a matter of policy, the Government has decided that that money goes into the fund and it does with it what it chooses and none of that has been to public housing that I can recall.

**Mr MUELLER** - One of the things that we find a bit galling is when the State Government says on the one hand the economy is doing so well and it is growing and there are pulp mills on the way - \$2 billion worth of investment - and then on the other hand we hear that there is no money for their unmet needs in social and human services. At the same time in the last Budget we saw \$900 million for infrastructure across the State over four years and none of that \$900 million is for housing. I am sorry, but you cannot tell us you do not have the resources. You do have the resources. It is about prioritising that social investment and we have not seen that priority given to social investment and core social infrastructure which leads to a healthy, prosperous, vibrant community and economy, either at a national level or at a State level.

While we have not addressed the question of the Economic and Social Infrastructure Fund, from our perspective the greatest fund that any community has is its people, and investing in its people and investing in enabling people to prosper in its community would be much better use of those resources than leaving them in a fund that is not being used to address critical social need.

**Mr HARRISS** - Have you as an organisation tried in any way to analyse the year-on-year lack of delivery as against targets? For instance, in budget papers every year we get told that the department is going to build this many houses. My recollection is that it never has built the numbers which it set out to do in any given year. Have you ever analysed that over any period of time and if you have not maybe our committee might do that?

**Mr MUELLER** - No, I do not have it.

**Mr HARRISS** - We could go to budget papers even just for a five-year snapshot.

**CHAIR** - Yes. Any other comments or questions?

**Mr MUELLER** - The only other comment I would make in relation to the Economic Social Infrastructure Fund is that we do see other States governments going into debt to fund core infrastructure and again I think it is just a matter of the Government deciding that social infrastructure is a priority and then accessing the capital to address the need. I think it is a matter of political will, from our perspective.

**CHAIR** - Economic theology.

**Mr HARRISS** - It is interesting that that fund has evolved over time. It set out to be the infrastructure fund and then there was another fund set up called the Social Infrastructure Fund and then they were amalgamated with the Economic and Social Infrastructure Fund so we are talking about social infrastructure. It is not inconceivable that a small proportion of that could have been diverted to public housing.

**Mr MUELLER** - Indeed, yes.

**CHAIR** - Any other comments?

**Mr MUELLER** - Can I ask the committee a question? When will you be reporting?

**CHAIR** - We have started. The problem is it became impossible to meet their end of year timetable because Parliament has only one more week to go, so we had to have it written by next Thursday at the latest. So it is just too hard, the issues are too complex to have been able to achieve that. It basically means that we have to wait until Parliament comes back. We will be working on it over the summer and I would hope that we could have it tabled in the first week of sitting.

**Mrs SMITH** - Which rumour has is early March. It is only rumour, though.

**Mr MUELLER** - Okay, thank you.

**CHAIR** - Thank you and I will see you at lunchtime.

**Mrs RATTRAY-WAGNER** - We have had our first brainstorming day.

**Mr MUELLER** - How did it go?

**CHAIR** - Very good.

**Mrs RATTRAY-WAGNER** - We got together and got the whiteboard out and got some notes out of it.

**Mr MUELLER** - Great.

**Mrs RATTRAY-WAGNER** - We have certainly made a start.

**Mr MUELLER** - I wish you luck as well.

**Mrs RATTRAY-WAGNER** - There is plenty of homework over the summer break, Tom.

**CHAIR** - As the third speaker at lunchtime, are you good at speaking 10 minute speeches?

**Mr MUELLER** - I can try.

**CHAIR** - Thank you.

**THE WITNESS WITHDREW.**

**Mr PETER FISCHER**, STATE PLANNING ADVISER, LAND USE PLANNING BRANCH, DEPARTMENT OF JUSTICE, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Martin) - Peter, thanks for coming in. I'm not sure how much has been explained to you, but one of the issues that have come up in the submissions to the committee is the issue of land supply. A number of peak bodies in the development sector have raised the issue that there is insufficient land supply, that developers cannot find land to develop at the moment. We go back to the time when Sandra Hogue and I were both at Glenorchy. Since Sandra's report, which was 1996 I think, Glenorchy and every other council in the State has been working on the premise that there is a 40-year supply of land, which is a bit of an anomaly given what we have been told by the development sector. That information is 11 years on, so does your department have any updated information or any intention to update it? What do you think the situation is?

**Mr FISCHER** - You are correct, it is 11 years old now. The department does not have that information, unfortunately. I think it is very important information. It is something we are working towards now, but we do not have it at this present time.

I think anecdotally we are not getting huge press report that there is a lack of land out there. I have heard developers say that but I have not seen any evidence to that effect. I am not suggesting that they are wrong, but I would have thought if we had a real problem with land supply we would have heard a lot more about it in the press and so on.

What we are doing is part of the regional land-use strategies for the three regions of the State. That information is absolutely critical for good planning, and one of the first things they will be doing as part of that exercise is to determine land availability, not only from a residential perspective but for industrial, commercial and so forth. That will be the basis of moving forward with planning schemes and zoning et cetera.

**Mrs SMITH** - Peter, we have had some figures from LGAT, because of this issue of there being not enough land, and the figures coming back - without breaking them into sewerage, water et cetera - from Brighton, Clarence, Glenorchy and Hobart City are 3 925 residential-lot capacity. In your opinion, is that a fair and reasonable selection for around this area, and for how many years?

**Mr FISCHER** - I'm not aware of the take-up rates. That is something we will need to do in the analysis we are doing for each region. It is not only in supply but also a demand analysis that we need to do as well. Given population increases are very minimal, whilst the make-up of residential occupants have changed - they have come down quite considerably from 3-2.5 down to below 2, I think it is now, it doesn't provide for a huge increase in terms of take-up for residential development. It is hard to know. People will say there are 3 500 lots out there, but they are not in the location that people want to develop, so that is always an issue. If there were 3 500 lots there at the moment, vacant and ready for development, that would be more than sufficient for quite some time, I would expect.

**Mrs SMITH** - We have heard from the real estate sector saying there is nothing there.

**CHAIR** - Basically every development sector.

**Mrs SMITH** - And yet you look at the Hobart response. There are 500 serviced, 300 unserviced; Clarence, 1 387, 325 without sewerage; Brighton, 849, 521 with sewerage and 759 with water; Glenorchy, 614, but a further theoretical lot yield of 1 189 in urban, residential and future urban zones. I get the impression in the quick snapshot of the city area - and I think that's where a lot of our evidence comes from - that those councils have the capacity there, it is the fact of choice. I think the comment was made that sometime developers don't want to release land because it will push the price down to an affordable level. Would you support a comment like that?

**Mr FISCHER** - I am probably not in a position, from a professional perspective, to make a comment on that. I think the logic is that if there is a limit on the number of lots out there on the market at any one time that will drive the price up if there is a great demand for them. As I mentioned, we do not have the demand statistics. I am not sure if you received them through the Real Estate Institute but we do not have that to be able to make a fair judgment but the logic is that if there is a limited supply on the market at any one time you will get a premium dollar for those if demand is high.

**Mrs SMITH** - There are two arguments, a developer would say, 'I could go for large, new lots in an area if the council will allow a rezoning.' It will have to be serviced, which pushes the price up, as against capability, inner city, et cetera, which one would think should keep it more affordable. Has there ever been any work done on staying within where it is serviced versus put the services in and which one might push up the price?

**Mr FISCHER** - There has been a lot of debate about what is causing problems with affordable housing and I think the jury is still out on some of it. There are a huge number of factors, not just one or two. There is a plethora of factors that cause issues.

I was having a conversation the other day with some people from Housing Tasmania and we were talking about housing affordability, the median price of houses, the median income in the State and the fact that you need a certain amount to buy the median house in Tasmania. But that does not account for where the houses go because the unit price of house and someone's salary are big factors but not the only factors. You can get cheaper houses - and I think Mark Latham came out just recently in the press suggesting that there is not a housing affordability crisis, people just do not want to live where there are houses available. But having said that, I think there is an issue in terms of where houses are located. You might be able to afford the house because of the price and the wage that you earn, but you have to spend the majority of your remaining disposable income, say, driving a car with the increasing petrol prices and so forth. So affordability it is to do with not only the unit price of a house but also with access to services and so forth. Yes you can get cheap housing out on the fringe but it is going to cost you an arm and a leg to access services and employment.

**CHAIR** - Going back to the analysis that has been done by the councils - LGAT - I have been speaking to a person who derived the figure for one of the councils - basically they looked at an aerial map of the city and did it that way. One of the issues therefore is that whilst that is a theoretical figure that has been put forward, one of the problems is that developers are reluctant. A lot of these blocks might not be owned by 'developers', it could be people with a house at Moonah with an old house on a block that in theory



could be subdivided into three but the person has no desire to sell because they still want the house on a big block. Is there a better way of doing it than that? If the department's intention was to upgrade the Hogue report, how do you intend to go about doing it?

**Mr FISCHER** - We are going to do it as part of the regional value initiative. Just to update you on that, it commenced on Show Day. A MOU was signed with the north-west councils, the nine councils, to produce a regional land use strategy and develop nine new planning schemes at the end of that process. We are looking at about a two-year process to do that. The first 12 months or thereabouts is on the land-use strategy. The first part of that 12 months will be in data collection. There is a lot of information out there and some of the councils do have it. They know what subdivisions have been approved, they know what building approvals have been approved and you can do a correlation between the two lots of figures to determine what lots are available. I think you need some groundtruthing as well.

To pick up on the point that you were making, Terry, there is land out there that is zoned for residential development but may not be developed for 20 years. So you have a notional development potential but it may not be developed. I think the figure that Sue quoted was a combination of both - they are actuals as well as notionals. I think we need to know both. We also need to look at this locational issue. A lot of the land that has been zoned for residential isn't in areas that can be easily serviced. We have to consider whether that is still appropriate in today's climate and whether we need to zone areas that are more suitable for residential or commercial and industrial development, and across the services - transport links and other social infrastructure. I think we would have to question what land is zoned for what purpose. For example, a lot at Droughty Point under the current planning scheme is zoned for residential. They had to go through a rezoning application - I cannot remember what the zone is called, but it is like a future urban zone - and that has been there for about 30 years.

**CHAIR** - That's never going to happen, is it, with the current change in attitude?

**Mr FISCHER** - Probably not to the densities that they proposed way back, no. That is really what this regional land-use strategy is about in the whole three areas. We will get an idea of supply and demand in relation to residential developments and in commercial and so forth. We need to determine where the growth areas are going to be so that they are planned properly. Instead of infrastructure catching up, we plan so that we get the development happening with the infrastructure as part and parcel of that development. We need to make sure that the social infrastructure is there as well so that we don't have the situation that happened at Bridgewater, where all growth was meant to go to the north and then everyone went to Kingborough. There were some factors in that because of the bridge falling down and a couple of other things. What the land-use strategy is about is not in effect putting growth boundaries around areas but indicating where development should take place. That will then influence where infrastructure goes. It is much better linked instead of ad hoc.

**Mrs SMITH** - But this two-year plan is signed up in the north-west, which probably has fewer significant issues. How far away do you think we are from getting the same sign-up in the north and the south? That is a two-year plan now in one section, so in the next couple of months are we going to have a two-year plan starting the same principle in the south and the north?

**Mr FISCHER** - The northern and southern councils have signed up to setting up a working group to determine what needs to be done in their area and are working through the documentation of the north-west councils. Both groups of councils have signed up to it. Ideally we would like a six-month gap between the north-west, the north and the south. We don't mind if the north and the south go at the same time but we would like a six-month gap, or thereabouts. A lot of the work we're going to do in the north-west in terms of planning schemes and the land-use strategy. We can learn a lot of things from that and that can transfer directly across to the other regions. The so-called model planning scheme that we are going to produce as part of this process that will pick up all the commonality that we want between all schemes across the State will be produced in the north-west first, and again that can transfer across onto the north and to the south so we are not repeating ourselves every time.

If the northern councils and the southern councils decide to do something quickly in the next couple of months and we only have a gap of two or three months, it is a nice problem to have -

**CHAIR** - But you do not have the resources, have you?

**Mr FISCHER** - The resources are a little difficult in the sense that the Government has to respond to this program. To make this work the Government has to put a lot of resources into it in terms of making sure the Government's interests are represented in the planning of those regions.

**CHAIR** - How many planning staff do you have available for this?

**Mr FISCHER** - In my area itself, including myself?

**CHAIR** - Yes.

**Mr FISCHER** - Seven.

**CHAIR** - And that is to carry out the other workload.

**Mr FISCHER** - We have actually eight at the moment but that person is ending at the end of the year. They came in on the basis of filling in a gap of somebody being away. Essentially, our core group of people is seven.

**Mrs RATTRAY-WAGNER** - I was interested to understand a little bit better how the north-west area got to be the starting point. Was it easiest or were they keener than the north or the south? If you could just give me some rationale as to how we started with that particular model there.

**Mr FISCHER** - We had the steering committee's report completed at that stage so we went around to the groupings of councils to talk to them about Better Planning Outcomes and what we did as part of that exercise was say, 'How do we implement this?' and we came up with the notion that we needed to do something at a regional level. Better Planning Outcomes identified that regional planning was the missing link in the system and we needed to do something along those lines. I think I have mentioned in this place before

that you can plan okay at a State level but the one size does not fit all so planning at a State level does not work overly well. Planning at a local level does not work overly well either because it is too narrow and insular. We need to look beyond municipal boundaries and at a regional level so we put the notion to the councils that a regional approach is appropriate and - out of the Better Planning Outcomes again, and this is a strong point from the Planning minister - the idea of having 43 planning schemes across the State that are nowhere close to being consistent is not acceptable to the Government any longer and we needed a change along those lines.

**CHAIR** - There has certainly been a strong focus of evidence provided to the committee for the development sector.

**Mr FISCHER** - In relation to that?

**CHAIR** - Yes.

**Mr FISCHER** - Why the north-west? We went there first, and effectively it was 11 months ago. We presented to them, they were interested in pursuing it. They were having some real problems up there in relation to planning, getting planning staff, having some developments that were taking place there that they were finding it difficult to cope with because of their planning schemes and so forth and at that meeting with me in the room they started debating whether they should be signing up to something like this and there was general agreement around the table that they needed to do something.

It took that period of time until now to set up the process, prepare all the documentation and have the councils sign up.

**Mrs RATTRAY-WAGNER** - Was that primarily because of your lack of resources in your office or the lack of resources outside of your control?

**Mr FISCHER** - It was more to do with making sure that we bring everyone with us. If we had all the resources under the sun I still think it would have taken 11 months.

**Mrs RATTRAY-WAGNER** - But you had them right at the start - you just said that you virtually had them all in agreement right at the start.

**Mrs SMITH** - But you have nine communities so you have nine council heads that have to go back to nine councils that have intermittent different meetings - just that connection would be interesting. It is all right for one to say we will do it.

**Mr FISCHER** - I will take you through the process. Out of that meeting there was a working group set up. The working group had a mayor, general manager, the CEO of Cradle Coast Authority, a senior planning person out of the Burnie City Council and myself and that was set up in a few weeks after that meeting. We started working through producing documentation, and that took some time because we had drafts going back and forth. If you ever see the package you will understand why that took some time. It is not only an MOU. We produced a robust project plan, communications plan, an outline of what a land-use strategy would be, an outline of what the planning schemes would look like and the fifth document was an indication of the principles or the objectives behind any legislation to underpin this.

So it was a fairly comprehensive set of documents and that took time to develop. I sat down and wrote a lot of it and sent it off and, because there were other players, it had to go back and forth quite a bit. You are absolutely correct in terms of bringing the community together. What we had to do was bring that documentation to the general managers to start off with and, because they were the first cab off the rank, there was some suspicion in relation to the agenda here and the general managers thought that this was just a big black hole to throw money at. It was not until we had robust documentation that we could define what the project was about, put the limits on the project and show what the responsibilities and resourcing requirements of each area were. After doing that, the general managers came on board really quickly. Then we took it back to each community, in the sense of the council, because they had to vote on it. To sign the MOU they had to get a resolution on the books to sign it and to do that the working group took the councils through the documentation and it went to the council meetings and they signed without alteration.

I backed out of that because what I wanted this seen as a local government project as opposed to a State project, and so I backed out of the workshops and the working group members took that to the individual councils.

**Mrs SMITH** - What is the budget that will be multiplied by through -

**Mr FISCHER** - We have \$1.5 million, all up, so we are looking at around about the \$500 000 per region. In theory it should be cheaper in the north and in the south, if we do the bulk of the work in the north-west and transfer it across, but there is equivalent to \$500 000. What the councils have committed though is a lot of in-kind support. We were talking about information previously; the councils have a wealth of information that they will need to bring to the table as well so we are looking to them to assist us in that way.

**Mrs SMITH** - How many of your seven staff will be designated to this task?

**Mr FISCHER** - For the north-west councils, we are dedicating an officer full-time for two years out of my budget so we transfer the person up to the north-west coast.

**Mrs SMITH** - Are you confident that officer will stay the two years?

**Mr FISCHER** - Yes.

**Mrs SMITH** - I am thinking of shack sites.

**Mr FISCHER** - The person I am talking about is Ian Samson. He is absolutely passionate about this and regional planning and he is itching to get up there.

**Mrs SMITH** - So the idea that perhaps Ian will be the focus and move to the north and the south? Because of that experience, as he moves through this path?

**Mr FISCHER** - The reason that we allocated an officer for the north-west is that they are really struggling in terms of planning staff and resources, so I think our commitment to the north-west will be greater than to the north and the south.

**Mrs RATTRAY-WAGNER** - That will need careful management, I would suggest.

**Mr FISCHER** - Talking to the northern councils and NTD - Northern Tasmanian Development - NTD want to put on a research officer. They want 60 per cent of that person's work to be the regional land-use strategy. Launceston City Council wants to employ a person also to work on this. They have the luxury of doing that because they have the budgets that north-west councils haven't. I can see a similar sort of pattern happening in the south.

**Mrs SMITH** - But Northern Tasmanian Development relies significantly on the Launceston City Council table from year to year and there is always this drama of whether it will survive. Do you have a strategy so that if NTD falls out of the loop it can still continue?

**Mr FISCHER** - The idea with the MOU is that it is not between the Government and the regional body; it is between the three parties. The critical factor here is the relationship between State and local government and making sure that the councils are on board. Although I would not like to see it happen, if at the end of the day the regional body fell over for whatever reasons it wouldn't impact on the project.

**Mrs SMITH** - If you could look in your crystal ball and everything goes according to your plan, when could the development people of Tasmania feel that they have consistency across the State in planning? Is this five, six years? What is the quickest time in which we can achieve this?

**Mr FISCHER** - Until just recently I would have said four to five years, but the southern councils only last week agreed to setting up the working group. I thought it was going to be much more difficult to get the southern councils on board but they have enthusiastically adopted it and are setting up the working group. Again, if we can get the documentation and the MOU signed within four or five months, it is another two-year period after that to do the work. We are probably looking at three years, which is quite optimistic if you had asked me about three weeks ago.

**Mrs SMITH** - At the end of that process, unless there is going to be a change in law, did you not say that all the councils will do new planning schemes to pull all this into their schemes?

**Mr FISCHER** - No. The first and second stages are about producing the regional land-use strategy and a model planning scheme. That model will provide the basis of all new planning schemes, but the project itself will produce the schemes. At the end of the two years we should have brand-new planning schemes that are 80-90 per cent consistent - or whatever that figure is going to be - unless a planning scheme has just been upgraded, like Central Coast for example, where we may just have to amend the planning scheme, but I doubt it somehow. I think the zoning is probably pretty right from a local perspective. There may be some changes from a regional perspective, but I would think that the ordinance would probably be replaced.

**Mrs SMITH** - The biggest issue in the past in planning schemes - regional, local or whatever - appears to be the consultation process with the community and the RPDC and

the time line thing. Will we have to see changes in the law to remove some of that to get this consistently -

**Mr FISCHER** - I've spoken to the RPDC and they are very supportive of what we are proposing. I was sitting back and thinking about it the other day and musing to myself that if this goes well and we get regional land-use strategies in place across the three regions and they are kept up to date - and the factor of making sure they are up to date is something the project is going to look at as well and put propositions back to government - that is what I call a dynamic document. It is updated at all times, not during a review period. I do not like the situation where you produce a land-use strategy and you have a review period of five years down the track to look at it again. I want a process where that land-use strategy responds to things that change like a new set of stats that comes out, maybe a State policy from government, I want to be able to use that process to update.

If you get that in place, so you have a dynamic regional land-use strategy and planning schemes are amended as part of that process, in theory we will never have to do another planning scheme again in this State. This would be so because we would be starting from a high base in relation to a planning scheme by producing it as part of this process all at the same time - or pretty much at the same time - and then it would just need tweaking and, in theory, not having to start again.

Of course if the system or something else changes that theory goes out the window but the notion of not starting again would be fairly strong.

**Mrs SMITH** - That tells me the role of the RPDC into the future can be diminished?

**Mr FISCHER** - In terms of certification of planning schemes, yes.

**Mrs SMITH** - Therefore there should be some capacity to bring some budget money back into the department so the planning area can be upgraded to keep up with this facilitation of stats, et cetera, because it is going to have continue those links between the department and the councils, isn't it?

**Mr FISCHER** - I cannot comment on the RPDC process.

**Mrs SMITH** - With seven staff it has to grow is the message I am getting out of this.

**CHAIR** - There are rumours about the future of the RPDC. Is there anything coming out of that so far?

**Mrs SMITH** - I think that is political.

**Mr FISCHER** - I cannot answer that. I wish I knew more. I just shared some thoughts with you and that is fine.

**Mrs RATTRAY-WAGNER** - Mr Chairman, I have a non-political question.

*Laughter.*

**Mrs RATTRAY-WAGNER** - When you talked about the proposed northern set-up, I guess I am a bit curious to find out if the Launceston City Council funds 60 per cent of the person who is going to be doing the overseeing, does that mean that potentially they will drive the whole agenda? I have some concerns about that, given that we know that they already want to take over most of the north or cherry-pick some of it, anyway.

**Mr FISCHER** - This is not a political question.

*Laughter.*

**Mr HARRISS** - The question might not be but the statement is.

**Mrs RATTRAY-WAGNER** - I know in the interests of cost saving they would want to use that particular person, but can you see that it could be flawed in having one council with a lot of power trying to drive the whole process? I am sure you have thought about it.

**Mr FISCHER** - Yes, I do not think that I said they would do 60 per cent of it. The reference to 60 per cent is that NTD will be putting on an officer and they want to utilise 60 per cent of that person's time for this strategy. Launceston want to put on a person to assist with it as well.

**Mrs RATTRAY-WAGNER** - You appreciate my concerns.

**Mr FISCHER** - Absolutely, and I think governance is extremely important. To pick up on Sue's point, this is not going to work if we do not bring communities with us. We cannot have a council dictating to the rest of the area and that is why governance through this project is very important. So we are setting up with the north-west a steering committee chaired by a mayor who has been nominated by the other councils in the north-west as being the chair and a representative general manager. We will have the CEO of the Cradle Coast Authority, myself, someone from the policy area of DPAC, as well.

**Mrs RATTRAY-WAGNER** - The same structure will apply in the north and in the south?

**Mr FISCHER** - We like to think that will happen. Perhaps there may be a slight variation on that but that is certainly what we are looking at.

To come back to the RPDC - and if you have read the documentation - when we are talking about underpinning this with legislation we want to not have the situation we currently have. If nine planning schemes were produced at one time and put into the RPDC process, that would cause them all sorts of grief in terms of resourcing. We do not want a situation where the Waratah-Wynyard planning scheme gets an early tick, the Central Coast planning scheme gets one in three months and the Burnie planning scheme six months further on. The notion of trying to get consistency would fail if that happened. We have put the notion - and this is up to Parliament because we're looking at changes to the legislation - but we have put the notion to the councils and they are fully supportive of an interim planning scheme. If nine new planning schemes are produced in the north-west, they would come in immediately and replace all the existing planning schemes and the formal public process would start from that date. The RPDC would still be involved and people could go to them as the independent umpire, the hearings and all

the rest of it and the planning scheme produced at the end of that process would replace the interim ones. That has been well received by all the councils I have spoken to.

One of the biggest problems - and Terry would know this very well - is that a council can produce a strategy for the future and it takes time to get that strategy implemented through its planning scheme. As soon as that strategy has been announced, development applications come in because it may restrict development in some areas and it is undermined before it is even implemented. That is the notion we are putting forward. As I said, that is up to Parliament because it would require amendments to legislation.

The other thing we want to do is, if we have commonality between the schemes, we don't want nine individual hearings for the north-west councils on the common provisions. We would like to have a hearing and all the councils nominate a person to represent them, decide collectively in relation to the representations and make decisions in relation to that. All the councils would have to do then is to go along to the RPDC on individual local matters, and that is essentially going to be a lot of zoning inquiries.

**Mrs RATTRAY-WAGNER** - Good luck, Peter, it's a great plan.

**Mr FISCHER** - The RPDC is very supportive of it - I have spoken to them - and the councils are very supportive. I need to get some legislation before Parliament and I am hoping that will be well received as well.

**Mrs SMITH** - Try to find a name other than 'model planning scheme' because we've had that before.

**Mr FISCHER** - I won't talk about models.

**CHAIR** - With the regional plans, what is the intention of tying in government infrastructure planning?

**Mr FISCHER** - As I said, State input is very important to make this work. When we have the imprimatur for the planning minister to sign the document we put the notion to Cabinet that we needed to get greater coordination across Government. We are reinvigorating the IDC on planning to be the conduit of government information into the councils. The IDC on planning, we hope, will overcome some of the issues that we currently have where each individual agency has its own strategies and so forth for the regions. We want to be able to coordinate that much better and get a government view to the regions, as opposed to individual agencies. That is what happens now, if a planning scheme is developed councils go to agencies and ask for information and they get that information but sometimes it is conflicting and then it is up to the council to try to resolve that. We want to avoid that if we possibly can through the IDC on planning and give a whole-of-government view on what should happen with the region.

**CHAIR** - You mentioned a while ago that originally the development for greater Hobart was to be to the north to Bridgewater but it finished up going south, to a large degree. It seems to me that the Government, through its actions at the moment in an ad hoc type of way, is encouraging another development front going east through Cambridge with the commercial developments on airport land and moving office workers out there et cetera. Is that sort of planning going to be addressed in the regional plan?



**Mr FISCHER** - I'm not sure if it is government pushing developments out to the east, that land is zoned for that purpose. It is a commercial decision of Hydro to move out there.

What I think is important, through a land use strategy, is to give indications of where development should take place. It should pick up on matters that have regional significance.

**CHAIR** - Yes, I agree.

**Mr FISCHER** - If they are local issues, the regional strategy should not have anything to do with it, but if they are major redevelopments from a commercial or industrial perspective, even large residential subdivisions, we need to make sure that they are planned well. The problem is, of course, that a lot of development takes place without infrastructure and then that infrastructure has to catch up.

**CHAIR** - Exactly, which is a huge cost to government and taxpayers. The State Government working group on crown land availability for affordable housing, are you involved in that?

**Mr FISCHER** - Not at this stage, no.

**CHAIR** - So you do not know how it is progressing?

**Mr FISCHER** - No, I cannot comment.

**THE WITNESS WITHDREW.**

Mr DON CHALLEN, SECRETARY, Mr ADRIAN CHRISTIAN, DIRECTOR, INTERGOVERNMENTAL AND FINANCE AND Mr DEAN BURGESS, ASSISTANT DIRECTOR, TAXATION POLICY, TREASURY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - We have conducted a huge number of hearings and some questions have arisen that probably Treasury is in a better position to answer than any other arm of government. I think you have been given an idea of what we are looking for.

**Mr CHALLEN** - The letter asking us to attend provided some subject areas, so we have done our best to prepare ourselves for questions in those areas. You shoot and we will see how we go.

**CHAIR** - Okay. In relation to the Commonwealth-State Housing Agreement and it could be interesting depending on what happens next week. We have a comparison of minimum required matching State Government funding under the terms of the CSHA with actual State Government funding of the agreement in the decade from 1996-97 through to 2006-07. Has the State lost Federal funding in the last five years because the State has not met minimum funding requirements?

**Mr CHALLEN** - I don't think we can answer that question. It is a question you would have to put to DHHS because they administer the agreement and our only role in it really is at the time of renegotiation to take a whole-of-government perspective on whether the content of the agreement is in the broader community interest and obviously we have an involvement through the budget process, annually, in terms of providing advice to Government on what allocations are appropriate but I cannot answer the question because I do not know, but I can guess and my guess is the answer is no but you would need to ask DHHS.

**CHAIR** - Yes, would you have concerns from a fiscal point of view of that statement?

**Mr CHALLEN** - No, I don't think I would. The general question of matching is quite a thorny one. Because of the way the Commonwealth Grants Commission's processes work, there is generally speaking no net benefit to the State Government's revenue of matching a Commonwealth payment because the Commonwealth Grants Commission will view the Commonwealth payment as going towards meeting our standard outlay requirement and, consequently in most cases, an additional payment from the Commonwealth will be equalised away and we will not get any net benefit from it to the extent that they provide additional recurrent payment for a particular purpose, our relativity on which our share of the GST is based on will drop and a zero sum gain will come out of it with no net benefit.

So the view we generally take to these questions about matching is that the Government needs to ask itself the question whether the spending that is implicit in the Commonwealth Government's decision to allocate funds to a particular program is consistent with the State Government's spending priorities, and if the answer to that question is yes, generally speaking, there is no particular reason why you would not accept the Commonwealth funding and the matching requirement.

If the answer to that question is no, and we have seen examples of that in recent times, our advice, generally speaking, is that you should decline this offer from the Commonwealth and not match.

**CHAIR** - You'd think with public housing though, which is an activity of Government, the answer would be yes though, wouldn't it?

**Mr CHALLEN** - Again, it depends on exactly what the Commonwealth is offering and the form in which the funding is coming. You have seen the evidence in the budget papers in recent years of the Government giving a higher priority to providing housing assistance for low-income families so, generally speaking, you would expect that a negotiation which involved the Commonwealth making an additional contribution, Australia-wide, to housing would be one that we would be comfortable with.

But this whole question of matching is fraught and I would caution you not to make the assumption that because we have not met matching requirements under an agreement with the Commonwealth that that is a bad thing. It just reflects a rational decision not to accept expenditure priorities that the Commonwealth Government is attempting to impose on us.

The whole SPP game is really about the Commonwealth making decisions about expenditure priorities and then, effectively, imposing them on the State budgets.

**Mrs RATTRAY-WAGNER** - For example, where they offer to put some money into a road and then it is not the priority of the Government or the department of the day, and so therefore it is going to put pressure - that is the type of thing you are talking about, Don?

**Mr CHALLEN** - Yes, though that particular case study is slightly more complicated still. I illustrated the point with recurrent funding and recurrent outlays where the link between what we get and the equalisation weighed by the Grants Commission is very strong. With capital funding, the link is much, much weaker. So if the Commonwealth offers us additional road funding and you can be convinced it is over and above what we would have got through the standard programs, then you should take it. On the other hand, if what in effect it is doing is just putting a label on some road funding that we would have got in the normal course of events through an ordinary Commonwealth program, then there is not much point in taking it. You have heard the Government talking about the Sisters Hills road funding, for instance, which was a particular case study in point where the Commonwealth, for its own reasons, gave a very high priority to that particular project and the State Government ended up accepting that and providing some matching funds but it was not really a high priority that the State Government had identified at the time. Some of these issues get very complicated.

**CHAIR** - Nothing to do with politics either.

**Mr CHALLEN** - Probably just a little bit. There was a similar case with the large lick of funding that the Commonwealth provided in the dying days of last financial year for the East Tamar Highway between Launceston and Bell Bay. Again that very large lick of funding which in the end we got comfortable with was additional to funding we would otherwise have got, so the reality is why wouldn't you take it?

**Mrs RATTRAY-WAGNER** - So recurrent and one-offs are different.

**Mr CHALLEN** - As I say, those links through the Grants Commission process are much weaker on the capital side than they are on the recurrent side.

**CHAIR** - Don, can you just explain the process for the CSHA funding coming from the Federal to the State? Who in government is that paid to and how does it get to Housing Tasmania?

**Mr CHRISTIAN** - It is an appropriation to Housing. Housing gets the funds.

**CHAIR** - It gets the cheque straight from the Federal Government?

**Mr CHRISTIAN** - It would go through us.

**Mr CHALLEN** - It would go through our hands.

**Mr CHRISTIAN** - But we do not take a cut.

*Laughter.*

**CHAIR** - That kind of was the next question.

**Mr CHALLEN** - Sorry, I did not quite understand the point of the question. It is received into the Consolidated Fund and appropriated out again through the Appropriation Bill.

**CHAIR** - Okay.

**Mrs RATTRAY-WAGNER** - With no administration costs, no handling fee?

**Mr CHRISTIAN** - No, we are very efficient.

**Mr CHALLEN** - In our generosity we provide these services.

**Mrs SMITH** - Don, you made the comment that your area is only involved at the time of negotiation and you are heading into a new era once we have had an election possibly. With the last round of amalgamations were there any penalties set if particular benchmarks were not met year to year in that -

**Mr CHALLEN** - Sorry, I do not know enough about the detail.

**Mr CHRISTIAN** - Under the last agreement?

**Mrs SMITH** - Yes.

**Mr CHRISTIAN** - As I understand it no, we have not had anything under CSHA.

**Mrs SMITH** - So there is no penalty, it is  $x$  amount of dollars per annum, no strings attached except for community housing?

**Mr CHRISTIAN** - No, there are penalties in the agreement for non-performance.

**Mrs SMITH** - And we have performed, to your knowledge?

**Mr CHRISTIAN** - Again that is the Housing area but, as I understand it, we have not been penalised.

**CHAIR** - All the CSHA money goes to Housing Tasmania and none goes to TAHL, for example, or other organisations?

**Mr CHALLEN** - To the best of my knowledge and current belief, it all goes to Housing.

**Mrs SMITH** - Do Housing hold the titles to all the properties or is that in Crown Lands or in Treasury?

**Mr CHALLEN** - No, they are held by the Director of Housing. The Director of Housing is a statutory officer under the relevant act - I forget exactly what it is called now - so it is like a corporation sole and that individual, which for all intents and purposes, is an output within DHHS's budget, holds the titles and you will see the valuation of the Housing stock sitting on DHHS's balance sheet.

**CHAIR** - This is a question that has been raised in evidence. Where in the balance sheet does it sit as it is a liability?

**Mr CHRISTIAN** - Housing stock?

**Mr CHALLEN** - It is an asset definitely. It is an asset because it generates a flow of services. The flow of services that it generates provides shelter and comfort to people who live in public housing. The valuation processes that we apply under the accounting standards turn that into a single number which is the valuation of what that stock is worth in terms of its capacity to provide that service.

**CHAIR** - Housing Tasmania management have said they see it as a liability.

**Mr CHALLEN** - That is an extraordinary statement if that is correct, Mr Chairman - an extraordinary statement.

**Mr CHRISTIAN** - I can perhaps clarify one of the earlier questions. In terms of the funding for TAHL, that is State Government money and the State Government would count that as part of its contribution to the suite of things that are covered under the CSHA. It is not Commonwealth money. We have matching requirements - the Commonwealth puts in its \$21 million base funding, plus some additional moneys for specific programs, and we would be counting TAHL against State Government expenditure to achieve the joint objectives under the CSHA.

**Mrs SMITH** - That would be no different than other States or Territories, such as the ACT, they would all be doing the same thing, wouldn't they?

**Mr CHRISTIAN** - Yes, in one way or another.

**Mrs SMITH** - Don, as head of Treasury, undoubtedly someone has taken a look at this in the past. I am looking for the pluses and minuses of Treasury taking the Commonwealth debt across into Treasury, and perhaps the title of the houses too, and freeing up that \$17 million of interest that goes back to the Commonwealth every year. I think Victoria has transferred their housing debt across to Treasury and in doing so hopefully has solved some of the lack of capacity of housing. Has that been a consideration?

**Mr CHALLEN** - No.

**Mrs SMITH** - Is it something that could or should be considered?

**Mr CHALLEN** - It is just a sleight of hand really. It does not matter where on the components of the general government sector balance sheet you put these liabilities, the reality is that they are all liabilities of the Government. The way we organise our affairs, putting particular liabilities against housing, is just a convenience at a point in time. You can obviously move those things around, and we have done those sorts of things in the past. I think that question really is about the level of funding that you provide for recurrent housing operations. The Government makes decisions about that every budget process.

**Mrs SMITH** - It comes up so often, \$17 million has to be paid back to the Commonwealth, therefore we can't go out and relieve the housing stress. The concept put forward was that if it is a debt of the whole-of-government rather than a debt to a specific agency, then as whole-of-government you would make a decision within Treasury as to those repayments. It would be a debt on the whole of the State rather than debts specific to a department.

**Mr CHALLEN** - As I said, it doesn't matter. It is just about the decisions that government makes about how much of its total recurrent revenue it is willing to make available to recurrent housing activities, one of which is servicing the Commonwealth debt. If we were to move that housing debt out of Housing, say, and take it into Finance-General and not reduce the recurrent appropriation to Housing by the saving in their debt servicing that would then occur, yes, their recurrent funding would go up by \$17 million-odd, but we would have to find \$17 million from somewhere else to pay the debt servicing, so it is just a bit of a shuffle. If government wished to, it could have exactly the same effect by just adding \$17 million to recurrent funding for Housing in the next Budget. I think those kinds of complaints are really just game playing; they do not have any substance to them.

**Mrs SMITH** - But wouldn't you see a different consistency? We have to get out of the way of running on just this year; we have to have longer-term plans. If a department knew that the debt was transferred, they would have a requirement to make a provision, they could no longer say that \$17 million goes back, each year they must strategically plan to grow, manage and maintain their stock, rather than thinking that in this year's Budget the Government gives them an extra allocation of \$17 million and will they do it next year et cetera. It would be more constant. There is a housing crisis at the moment, in more ways than one, not just within the public system. It is being able to plan over five years: 'We now have the money. There are no more excuses. We have to put stock on the ground'.

**Mr CHALLEN** - I think, with genuine respect, this misunderstands what the so-called housing crisis is about. This is not about managing a pile of real estate, it is about using the capacity that the Government has in its budget to most effectively help people who, for no fault of their own, do not have their own capacity to provide the shelter and comfort that we all get from our housing. At the end of the day, shuffling around the things that are on the bits of paper in the Government's balance sheet is not going to help anybody. That is one of the reasons we have seen this new model developed in recent years with Tasmanian Affordable Housing Limited, which is all about people sitting down and asking the hard question, 'How can we get more leverage from the available amount of money that the Government has to spend on housing to make sure that we get more needy people in houses?'

I say this genuinely, with respect, but I think the people who are feeding that line to you are very focused on a balance sheet that has a pile of real estate on it and they are worried about how they manage their real estate. When I am talking to my ministers about housing issues, I am not much interested in the real estate, I am interested in how much leverage we can get from our budget to actually help people that need roofs over their heads.

**Mrs SMITH** - So if I take the same line that you are interested in leverage, why should we not be interested in leveraging off the asset of 11 000 public housing stock to build more?

**Mr CHALLEN** - That is a legitimate question and we might well.

**Mrs SMITH** - You would support a look at that concept?

**Mr CHALLEN** - I will support a look at anything. I have the original open mind.

**CHAIR** - Have you already looked at it?

**Mr CHALLEN** - We have looked at all sorts of things. To answer the question more seriously, there are models in other places where ownership of the public housing stock has been changed in a fundamental way. And I am not talking about moving it from one bit of our balance sheet to another, I am talking about taking it outside our balance sheet to create the capacity to put a lot more roofs over needy families' heads, because people have got themselves disentangled from the emotional attachment to owning a housing stock which in my view is totally irrelevant to the debate.

**CHAIR** - As long as there are safeguards about which tenants chose to go into them.

**Mr CHALLEN** - But, clearly, you have to make sure that the legitimate objectives of government in trying to look after the most needy in the community are delivered. But that can be done contractually. I don't think that is a drama.

**Mrs SMITH** - Evidence has been given that a lot of these 'not for profit' organisation processes of transfer are highly successful, but they are highly successful running on a policy of Federal Government that allows them to get particular tax breaks and particular rental advances. If you are looking long term and strategically, you should perhaps be

nervous about what happens if those advantages are taken away by a level of government over which you have no control from a State perspective. Is that something that should be a concern?

**Mr CHALLEN** - I think it comes into the broad question of sovereign risk. The tax benefits that you derive from having a private sector real estate involvement in the provision of housing assistance to needy families is mostly driven by depreciation and tax deductions. I think it is nearly inconceivable that any government could change the tax law to eliminate tax deductions for depreciation on fixed assets. It would be such a fundamental thing that it would bring virtually all our private sector businesses undone. They have all made massive capital expenditure decisions over long periods of time on the assumption that they will get tax deductions for depreciation. That is the main thing.

There is probably a slightly higher level of risk in relation to access to Commonwealth funds for rental assistance support. You would be aware from the submission that the State Government has provided to you that one of the benefits of delivering our support to needy families for housing through NGOs, like TAHL for instance, is that the families, the people who are being assisted, become eligible for Commonwealth rental support. When they live in a house that we own they are not eligible for such support. It would be a very unfortunate thing if it was to occur but you can hypothetically contemplate a future Commonwealth Government saying, 'We are not going to provide rental support to families who, by some indirect means, are getting support from State governments'. It would be a mean, vicious and nasty thing to do but it is hypothetically possible.

**Mrs SMITH** - It happens.

**Mr CHALLEN** - I do not think it is very likely. This trend of State governments using their recurrent support indirectly through NGOs to get more leverage for needy families is well established around the country. I think if the Commonwealth Government was unhappy with it they would have expressed that to the State governments by now. The fact that they have not is probably an expression of tacit comfort with this trend.

**Mrs SMITH** - In a model such as the Metro concept which runs its own business, there is an expectation that the State Government plays a community service obligation amount for those people who, for particular reasons, travel at a cheaper rate than others. The concept of the non-government organisation model versus a government business enterprise model with the stock to run a business has a reliance through Treasury of a community service obligation. Is that a model that you think would be worth some perusal, what are the dangers, and has it ever had a cursory look?

**Mr CHALLEN** - As I mentioned to the Chairman earlier, we look at all sorts of things at various points in time and that is one model we have thought about in the past. It has some advantages. It has no particular disadvantages, I do not think. The transition from where we are now to that model has a few complexities. We have a large stock and we have a significant number of people working in the housing operation and you have to ask yourself how you get them from employment under the State Service Act to a different set of employment conditions, say, in a GBE or a State-owned company. The benefit, I think, is from clarity in governance and financial relationships, a more arm's length operation. You lose some of the directness of influence that the Government has



when it is part of a government department. There is the potential, I think, to lose some of the synergies from having housing within the total DHHS operation because if you think about the philosophy of the DHHS model it takes into account that target groups of families in the community do not just need housing services, they typically need community support, support with health and other things. What we have is a department that is designed to provide a range of services to a target group of families and if you move that out, I think you break up some of the synergies of that model. As is true with all these things, there are pros and cons and you have to ask yourself at a particular point in time about the key objectives we are trying to deliver on and the best model for delivering those objectives.

**Mr CHRISTIAN** - I do not know whether or not CRA would work under that model. I do not know the answer to the question.

**Mrs SMITH** - So no-one has asked that question?

**Mr CHRISTIAN** - I do not know enough about the CRA program but eventually that stock is still owned by the State Government. It is in a GBE or some model so it might knock that out. This a key driver of -

**CHAIR** - Could you clarify that for us.

**Mr CHALLEN** - There are some questions we prefer not to ask until we have a very good understanding of the consequences of hearing the answer. We are very reluctant to ask the Commonwealth a question like that in a vacuum because the answer might well constrain us from doing things we would like to do in the future.

**Mrs SMITH** - If we ask the question, does that constrain you?

**Mr CHALLEN** - I would prefer you did not ask the question unless it is a really important question.

**Mrs SMITH** - No. I accept what you are saying about the synergies of particular departments and, again, you have to decide whether the core thing is to put rooves over people's heads or is it broader than that, and whether it is urgent enough to get the roof over their head first and then worry about the other.

Surely you accept, when you are talking about staffing et cetera, that in the model of everything we have done - Tas Ports, Hydro all of those - we have solved those issues of transfer of staff et cetera as we have moved from what were all State Government departments, or parts of department at one stage, over into other areas.

**CHAIR** - Tourism Tasmania would be an example.

**Mr CHALLEN** - I don't think any of those are quite analogous examples because they all started life out of statutory authorities with their own employment powers. The Chairman is right, we have had a few examples where we have moved people out of the State Service - it is do-able - but it is not without its complexities.

**Mrs SMITH** - Do-able but difficult.

**Mr CHALLEN** - The difficulty is the grief associated with it and the angst that it causes the people who are involved. If people get very concerned about changes in the way they are employed, people that are used to working under the State Service Act and are being asked to shift onto a totally different method of employment, naturally you get anxious about it. It is managing their anxiety that is the problem, if you can call it that.

**Mrs SMITH** - We have two particular arms of public housing, one is the provision of public housing and the other is what I call the provision of social housing for particular needs, whether it is assistance to shelters or disability housing that needs special housing needs et cetera. If you looked at a model external to a department, can you put all that in one or is there still in this holistic thing a need to maintain, within the process, that social housing component?

**Mr CHALLEN** - It is not a question I have considered off the top of my head but I think all the elements of that spectrum could be provided through a GBE-like model. We have very successfully put in place contractual arrangements with our other GBEs to do things that are no more difficult than that, I wouldn't think. The community service obligation model works very well when it is well implemented and we have some good examples. The Metro one that you mentioned earlier isn't a bad one, the Bass Strait islands sea is also a very good one, the Public Trustee is a very good one. These have been carefully developed over time and we have good contractual arrangements in place so everybody understands exactly what is supposed to happen and they work very smoothly.

If you go the next step and take the housing stock off our balance sheet altogether, I think the level of complexity goes up a lot. You may decide that the sort of housing we provide for some elements of that social housing spectrum you are speaking of might just get a bit too hard to try to do with, if you like, a private sector owner of housing stock that is very much arm's-length. The benefit of the State-owned company and the GBE model is that we do, by various mechanisms, retain a degree of influence over the way in which their businesses are run at the strategic level - not at the day-to-day level, of course - but when you go the next step and shift it right away from our Government balance sheet things get a bit more difficult, I think.

Nothing is beyond the wit of man. It is amazing what you can do with contractual arrangements.

**Mrs RATTRAY-WAGNER** - The evidence is that the public housing stock has decreased considerably since 1996 and the department has never been able to get into the market and buy properties. They have always been too slow because they have had to go through too much red tape, but you can see any way of freeing up some of the hurdles that departments have to go through to purchase property, to get some more housing stock on the ground? Have you looked at that particular scenario to try to put them into the market?

**Mr CHALLEN** - No, but I do not know what those hurdles and complexities are. The reality is they have total control over their program and I cannot believe that if getting out there and purchasing stock from the general market was a cost effective way of acquiring

assets, they could not do it and they could not do it quickly. It is a matter of getting themselves well enough organised.

**Mrs SMITH** - I am not quite sure, from my experience, that it is as simple as that. I think they are tied into requirements of the Valuer-General. He goes out and does another valuation and it goes on and on; meanwhile I have gone down the road and said, 'Gee, the house is pretty maintenance-free, I can buy that' while they are in a six-week or sometimes longer stream of process. Have you had any experience with that?

**Mr CHALLEN** - Yes. The bureaucracy is extraordinarily good at doing things extremely slowly when it wants to, but the realities of the processes are that things can move quickly if people want them to move quickly. It is a matter of the relevant heads of agency and senior officers getting their collective acts together. We experience those sorts of frustrations all the time, too, but when things are important and you want them to happen they happen.

**CHAIR** - Boats.

**Mr CHALLEN** - I do not know about boats but -

**Mrs RATTRAY-WAGNER** - Outboard motors then.

**Mrs SMITH** - I am pleased to hear you say that.

**Mrs RATTRAY-WAGNER** - That is an issue that has been raised constantly.

**Mr CHALLEN** - I often hear these sorts of things but I just do not accept them. The reality is that the bureaucracies in the private sector can make things happen quickly when they want to without cutting corners and throwing all the processes out of the way and I just do not accept that we cannot do likewise. When the public sector wants to move quickly and it wants to be efficient, it has no difficulty in doing that at all. Mostly these are post-hoc excuses for poor performance. It is as simple as that.

**Mrs SMITH** - Could it be that they do not have the cash capacity at that particular time and therefore -

**Mr CHALLEN** - That is a different question. It may be that they not have the cash to buy houses they would like to buy. But then, why do you not just say, 'We would like to buy more houses on the private market but we don't have the budgetary capacity to do it' rather than 'The processes of the bureaucracy are too difficult'. That is just a cop-out.

**Mrs SMITH** - I will send you a copy of a letter I have, you will enjoy it.

**Mr CHALLEN** - I am happy to be amused any time.

**CHAIR** - I am just getting conscious of the time. Just a question on GST: since the introduction of GST, has Housing Tasmania been funded with GST revenue the State has received?

**Mr CHALLEN** - The GST revenue all comes into the Budget and is appropriated out again by the Appropriation Bill. It is the old story about revenue is fungible, you cannot tell which dollar of the revenue is ending up in Housing. We do not operate that way. We just chuck all the revenue into a huge great pool and then we come to Parliament with Appropriation Bills and say, 'Could we please have approval to spend it in this particular way?'

**CHAIR** - I have a series of data-like questions in relation to land tax and stamp duty.

**Mr CHALLEN** - I am right into data requests.

*Laughter.*

**CHAIR** - We actually have a page of 12 things.

**Mr CHALLEN** - We may be able to answer some of them right now because we have brought various stuff with us and I have the experts sitting either side of me, so let us see how we go.

**CHAIR** - It is data over 10 years so it is probably better if we just give it to you.

**Mr CHALLEN** - I can give it to you in writing?

**CHAIR** - Yes, if that is okay.

**Mrs RATTRAY-WAGNER** - Dean was hoping to get a question from the committee, I think, and not a piece of paper.

**Mr BURGESS** - I will cope with this.

*Laughter.*

**CHAIR** - With the first home-owners grant, the total applications in Tasmania from July 2000 to 2006-07, is that a figure that we are able to get?

**Mr BURGESS** - Yes, certainly. I can provide the number of grants since the start of the scheme until quite recently.

**CHAIR** - I do not think that is on the list.

**Mr BURGESS** - That is fine, just add that in.

**CHAIR** - Also, as a separate question, the total applications for 2006-07 for which the full \$7 000 was paid out?

**Mr BURGESS** - In terms of the FHOG grants of \$7 000, our data is split between the standard FHOG grant, and with the additional moneys that were made available by the Commonwealth a number of years ago, they are pretty much phased out now.

**CHAIR** - Are they?

**Mr BURGESS** - Yes, there are probably one or two that are carry-ons because they were linked to construction of a house so there was some time delay with some of them, even though those schemes were closed a number of years ago. But we can certainly get that dataset out for you.

**CHAIR** - Thank you. The issue of land tax has been topical recently with the north-west coast and the valuations et cetera. It seems to me that there is a bracket creep aspect in this. Any comments on that?

**Mr BURGESS** - There certainly a bit of a transitional issue going on this year associated with the new valuation methodology adopted by the Valuer-General and the main impact of that on land tax is in relation to adjustment factors where there is a valuation done periodically and in between time there are annual adjustment factors designed to transition to the new valuation. Under the old methodology they were done on a municipal-wide basis which involved a lot of averaging; for instance, Battery Point and Ridgeway would have had the same adjustment factor.

What has happened now is they have moved to a locality-based adjustment factor so each municipality is split into what they think are representative localities. For some people that has meant they have gone from the old averaging arrangement to a more accurate adjustment which meant that some people have gone up, some people have gone down, and some people, who were on the average, have not been affected.

**CHAIR** - So some have gone down, is that right?

**Mr BURGESS** - That is right because they were applying an average adjustment factor before so it would have been too low for some people and too high for others.

**CHAIR** - The net return to Treasury?

**Mr BURGESS** - The next impact - there is underlying growth in the land tax base but, that aside, some people will be affected and others won't, so it nets out.

**Mr CHALLEN** - People whose land tax has fallen do not complain a lot!

**Mrs SMITH** - We are talking about housing affordability and it is not just public housing - we have the private rental market and the home ownership. In the rental market, of course, land tax is a component of it. Have you had any evidence that that one element that may be affecting issues such as people building for rental purposes?

**Mr BURGESS** - I guess we get a lot of feedback on land tax but that is not an issue I have heard raised. Obviously, all taxes have an impact. For instance, we were looking at a property where the land is worth \$130 000. The land tax on that a year would equate to less than \$15 a week in the context of an average rental of \$250 a week, so it has an impact but whether -

**Mrs SMITH** - How much a week?

**Mr BURGESS** - \$15.

**Mrs SMITH** - \$15 in \$250 per week.

**Mr BURGESS** - That is right so it has an impact -

**Mrs SMITH** - Significant.

**Mr BURGESS** - Yes, but that is different to saying whether it has a significant impact on affordability and people's willingness to invest in housing. There are a lot of cost drivers.

**Mr CHALLEN** - I think the issue with the land tax and affordability is the distortion that exists in our present arrangements where rental properties incur land tax and, if you own your property, as principal residence land, it is zero rated.

**CHAIR** - We certainly have had submissions on that.

**Mr CHALLEN** - That is a distortion that has been there since the principal land tax was zero-rated in 1996 or 1997 - that is quite a while back now.

**CHAIR** - Have you got an opinion on that?

**Mr CHALLEN** - I don't need to have an opinion, it is obviously inequitable.

**Mrs SMITH** - The issue that has raised its head with some young people in particular has been land tax on a block. They are buying a block to build a house in the future and they have a land tax component. Has that been considered by Treasury? We had some evidence, and in one case it was quite significant - something like \$500 a year just on their block value. Blocks now are not under the \$25 000 base; they have moved up into the \$60 000s plus.

**Mr CHALLEN** - I do not want to pretend before your committee that our land tax arrangements or indeed some of our other tax arrangements are wonderful but they are what we have. Land tax is wealth tax and that is what we are doing, we are taxing people's wealth. It is, in concept, a very good tax, there is nothing wrong with it. If you look down the list of all our taxes and you were starting to abolish things from worst to best, land tax would be one of the last things you would get rid of. That does not mean that there is not a lot of scope to make it operate a whole lot better, because there is a lot. But land tax in concept is a perfectly good tax and when you have somebody complaining to you that they are buying a block of land to build a house on what they are saying is that they think somehow or other they are special and that their wealth should not be taxed like everybody's else's. Okay, well everybody thinks like that and that is fair enough, nobody much likes paying tax -

**Mrs SMITH** - But don't you accept that there is a difference between -

**Mr CHALLEN** - No.

**Mrs SMITH** - buying a home, as you said earlier, and a young couple who instead of going out and getting into significant debt say, 'We do it staged. We'll buy the block of land and then we'll get the house built on it'. You don't see it?

**Mr CHALLEN** - No, I do not see that. It is about the choices people make. We are seeing a lot of people complaining about being under household stress, but they are people who have chosen to borrow a lot of money to move into a big house and to have two cars and a boat and three plasma televisions. I do not feel very sorry for those people because they have made their own choices. These people that you are talking about know what the tax arrangements are and we all have to make our choices in life knowing what the tax law is.

**CHAIR** - It is a bit different for the people in stress in the rental market from those with mortgage payments.

**Mr CHALLEN** - I have already said there is a distortion in our arrangements there but it is not a distortion that we can easily fix without reimposing land tax on principal residences and I do not imagine that would be wildly popular.

**CHAIR** - It is the basis of equity.

**Mr CHALLEN** - Equity is not everything in life, unfortunately. I wish it were.

**CHAIR** - Any other questions on that? Can you tell us the current eligibility criteria for duty and tax concessions on land property and mortgages in Tasmania?

**Mr BURGESS** - For the first home buyer duty concessions and the refund are exactly the same as they are for the FHOG grant - the first home owner grant. For administrative simplicity all the checks and balances are met under the first home owner grant arrangement and if that is found to apply then they automatically qualify for the concession provided their property then meets the value requirements.

**CHAIR** - There were some changes about three years ago?

**Mr BURGESS** - It was about three years that the duty concession was introduced which basically gives a concession for first home buyers when they are buying home, a house and land package, of a maximum of \$4 000 which means up to about \$160 000 they pay no duty and after that they effectively receive the full \$4 000 to reduce their duty -

**Mr CHALLEN** - Up to a maximum house price of?

**Mr BURGESS** - \$350 000.

**Mr CHALLEN** - And there are similar arrangements for land purchases.

**Mr BURGESS** - Land purchase is slightly different. If they buy a vacant block of land they pay the full duty and they then have two years to build their first home on that land and once that is completed they then get a refund on their initial duty.

**Mrs SMITH** - Was there a presumption when that was brought in that \$160 000 was about the base you could buy a three-bedroom, weatherboard, 40-year old house?

**Mr BURGESS** - It was the median house price for first home buyers.

**Mrs SMITH** - At the time.

**Mr BURGESS** - We actually have stats that we could provide you with that show the percentage of first home buyers who pay no duty, the percentage that get the full \$4 000 rebate and then the residual that are above the \$350 000.

**Mrs SMITH** - If that was the median house price when the scheme was set up, does the department review the policy from time to time to see whether or not it now lines up with the median price for first home owners?

**Mr CHALLEN** - We would review those sorts of things from time to time. It would be part of the general input we would make to the budget process.

**Mrs SMITH** - If something significant showed you might suggest the \$160 000 be moved to \$200 000?

**Mr CHALLEN** - We would provide it on a long list of options and things the Government might like to consider. Unfortunately, there are many more things on these lists than we have the capacity to fund. At the end of the day, I think the Government will make a judgment about whether things have moved enough to warrant a change in the arrangement and at some stage or other obviously they will. Without wanting to impose my own opinion on things, I think they were relatively generous at the time they were brought in.

**Mrs RATTRAY-WAGNER** - Don, just following on from that, we had some evidence about the HOPE scheme. Has Treasury had any input into reviewing that scheme? It has decreased such a lot that it is almost non-existent for any new people in the market. Have you had any input into re-looking at that in the same sort of scenario because the prices have gone up so much that those figures need to be readdressed?

**Mr CHALLEN** - Yes, we have been involved in the reviews of that scheme. We have an ongoing involvement, through the management committee, in the running of that scheme.

**Mrs RATTRAY-WAGNER** - Wouldn't that be with some of those prices being looked at into the future?

**Mr CHALLEN** - These are matters before the Government. It is a matter of what they choose to do with it.

**CHAIR** - We have received submissions about increasing incentives to help people buy their first home et cetera, and we have had other submissions saying that a lot of those sorts of strategies such as the First Home Owner Grant adds to the problem from an inflationary point of view. From an economist's point of view, do you have an opinion on that?

**Mr CHALLEN** - Yes, I do. The best resource on this - and I am sure you have read it is - is the Productivity Commission's 2004 report on first home ownership where they have canvassed all this ground very thoroughly, and I agree with what they say - that things such as first home owner grants tend to push up the price of housing. They are the



easiest way of providing assistance but they provide as much assistance to the owners of the existing housing stock and the builders of new housing stock as they do to the people buying housing as first home owners. As an economist, I think it is a very interesting question as to why our community chooses to give special status to people who are first home owners. I mean, we don't give special status to people who are first boat owners or first canoe owners or first car owners, so why do we do this?

**Mrs SMITH** - It is the great Australian dream of having your own roof over your head.

**Mr CHALLEN** - I think it's a weird thing to do. This is a very personal opinion, but I would encourage your committee to focus your attentions on the needy in our society rather than providing assistance to people who are perfectly capable of funding their own balance sheets.

**Mrs SMITH** - But there is a lot of evidence that shows that unless you look at the lot and free up the process through, so you get the renters into their first home to free up more rental, it pushes up the prices of rentals outside people's capacities if you can't move some of the renters out into their home. A lot of the needy around the community have given substantial evidence of these blockages and they are in shelters waiting for the gaps. The thing I have learned from this are the links between Bethlehem House and home ownership; it all interlinks.

**Mr CHALLEN** - My training always leads me back to 'the market will take care of those things'. If we focus our attention on providing assistance in appropriate forms to the most needy in society, the rest of it will sort itself out, and it generally does. You get blockages in the market and, because we are talking about an asset stock here, these blockages can last for long periods of time. It is not unusual to see a shortage of supply in a housing market that lasts for seven or eight years, but that is just because we are talking about housing and it takes a long time for these things to filter through.

**CHAIR** - There has been evidence produced to us that this current affordability issue is not a cyclical issue at the moment, that it's structural.

**Mr CHALLEN** - I don't know. It would be very difficult to put your finger on that, I think. To the extent that there is an affordability issue, it is being driven by the fact that the Australian economy has performed incredibly well for a dozen years or more. We have seen large increases in real income and wealth around the country and that has been manifested in people bidding up the prices of the housing stock all around the country. You see this par excellence in Tasmania. Again, there is a very long-term graph in one of the Productivity Commission's discussion papers that I mentioned earlier that shows the median house price in the capital cities around the country and when you look at it you can see the median house price in Hobart was stuck way below the others for a long time - 30 years or more - and then suddenly it took off.

We have had internal discussions about what made it come unstuck, why did it take off like that? Clearly it was lagging a long way behind where it would have been, and our guess that it was a confidence thing, that after a long period of people asking themselves the question, 'Do I want to invest heavily in my housing stock in Tasmania', they suddenly started saying, 'Yes', so the economy got a lot better, employment started to

pick up, we saw that big boost in population growth a few years back, and suddenly people started spending money on renovations of their own houses.

We saw mainlanders coming into Tasmania in larger numbers than we had before and we also saw the mainland investors investing for speculative reasons in the Tasmanian market. All that drove the market up and these things all sit behind affordability stress, but at the end of the day this is about our living in a very well performing economy. This is the sort of problem you want to have.

**CHAIR** - We are looking at the two issues then: housing affordability, generally; and affordable housing, for example, public and social community housing, and they are interconnected because one is causing the jam on the other in the bottlenecks. One of the issues is that we are running at a 2 per cent occupancy rate in the private rental market at the moment, and that is causing a huge increase in the public waiting list. I am really struggling in my mind as to strategies to help the private rental market that will not add to the problem in terms of creating a greater demand.

**Mr CHALLEN** - As I say, I would not do anything about it; the market will sort that out. A 2 per cent occupancy rate will give investors a lot of confidence that they are going to make money by building houses for rent.

**CHAIR** - But it is not happening.

**Mr CHALLEN** - That is the point I was making earlier, that unfortunately because we are talking about a market for asset stock, these things take a while to sort themselves out. Remember that this is combined with a national economy that has very low unemployment levels and consequently, skills shortages all around the country, so even if you wanted to build a house tomorrow, it is hard to find the contractors to do the work. But if we focus our attention on those needy families in our community and get them into houses, the rest of it will sort itself out.

**Mrs SMITH** - So the answer to your solution is to find a bucket of money somewhere, go out and build 1 000 houses for the needy and we will be right.

**Mr CHALLEN** - That would go a long way to solving the problem, yes.

**Mrs SMITH** - Do you have that bucket of money?

**Mr CHALLEN** - It is a question of government priorities. I've given the best advice I can.

**Mrs SMITH** - I will speak to the Treasurer.

**Mrs RATTRAY-WAGNER** - Don - and I don't mind who answers it, any one of you - would you like to give a comment on this? We have had some evidence to say that for the first three years or thereabouts, because rentals get a tax break with their interest - and I know you are saying if we look after the needy it is not so much, but I still think the bottleneck issue is something that we have been looking at - if private owners got a tax break; say, take the first owner's grant away but give a tax break, would that help? Could I have a comment on that from your perspective?

**Mr CHALLEN** - Again, I think you will find these sorts of issues are canvassed in the Productivity Commission report. The problem is that whatever you do it is unlikely that the first home owner will capture the benefit. The benefit at the end of the day is going to be shared between the renter and the owner and it will depend on the tightness of the market conditions of the time as to who gets the benefit. That is really what it will come down to, and if you do that in a tight market like we have now, you can pretty sure that the renter will not get the benefit of it, it will go to the home owner.

It is extremely difficult, and you can see from all the literature on it that everybody grapples with what can you do about this problem. You see various recommendations coming up, such as reducing stamp duty and so on, but at the end of the day these are pinpricks. The answer to these problems, I think - and I am sorry to be boring about this - is to focus our efforts on the needy in the community and let the market sort out everybody else. This is a very personal view but I do not think we should be doing the sorts of things that our national political parties are frantically doing at the moment, adding more distortions to our markets by chucking benefits at various groups in society that do not need our help.

**CHAIR** - We heard evidence from Housing Tasmania. Do you have modelling that shows what will happen to public housing stock numbers if funding for new homes is not increased?

**Mr CHRISTIAN** - No.

**CHAIR** - Housing has said that it has been made plain by the Treasurer over the last two budget cycles that we did our forward Estimates and that is what we are left with. They provided evidence about the run-down in stock and maintenance et cetera. Is that freely available that sort of information?

**Mr CHALLEN** - Again, you would have to ask Housing; I do not know.

**CHAIR** - I thought you were going to say that.

**Mr CHALLEN** - Sorry.

**Mr HARRISS** - Just on that matter concerning the maintenance backlog which Housing has publicised regularly, what concern then does that cause Treasury, because if they have this \$80 million backlog of maintenance which needs to be taken account of at some stage, and they are not building new houses at the levels they want to build, what concern does that cause you in terms of requests which might come?

**Mr CHALLEN** - When I hear of maintenance backlogs I am always concerned because one of the things I think we should give a high priority to is maintaining well all our capital assets, not just housing but everything else. We do hear talk from time to time about maintenance backlogs. I think that is code for the custodians of those assets not doing their job properly. The reality is that governments make decisions about departmental budgets and the way we run budgets these days is that we hand the departments a big block of money and, subject to the restrictions in the appropriation bill, it is their business to use the money they get in the best possible way. One of the things they ought to be

doing with a relatively high priority is using some of the money to properly maintain their assets.

**CHAIR** - But they are saying it is too big a problem. Basically, if they have a lot of 40- to 50-year-old stock and if they have been under-resourced for 20-odd years from successive governments -

**Mr CHALLEN** - They make choices. When someone tells you they have a maintenance backlog they are telling you they have made a choice to spend their funding on something else and not on maintenance.

**Mrs SMITH** - I agree. Everyone out there in the industry has to work out their depreciation process - when do I need to replace this, how do I maintain it et cetera. If there is not enough money and government put their priorities in different sectors, how do you balance the comment you made there with something like the police vote, where what was required was flagged but because there was not the money it got to the stage of desperation? The maintenance is too big - 2000 to 2005. Equate that to a house, because we do not know whether Housing have been delivering the message or not. We are trying to find out in this process how we have got to this backlog of maintenance, because they do not have enough money to maintain and that is quite clear.

**Mr CHALLEN** - I do not accept the premise that is implicit in that. Nobody has enough money to do all the things they would like to do - ever. That is the nature of government budgets. The list of things we would all like to do is always miles longer than the money we have available. It is always a question about how you assign priorities, what you think is important. When people tell you they have a maintenance backlog they are telling you they have assigned a higher priority to doing other things than maintaining their stock. My view is, from a Treasury perspective, that they ought always be giving a high priority to maintaining their capital stock because it catches up with you. If you don't do it now, you have to do it another day. It is foolish decision-making not to properly maintain your assets.

**Mrs SMITH** - So we should be really concerned that they sold off something like 3 000 houses, and that went into maintenance yet we still have a significant maintenance backlog. If they don't address that in Housing somehow, they are going to sell another 3 000 houses, perhaps to first-home owners.

**Mr CHALLEN** - My understanding is that the reason they have been selling houses is because the evolution of time and preferences and the nature of their client base. The stock they have inherited from 30 or 40 years ago is not the kind of stock they need to service their client needs today.

**CHAIR** - That's true, but they haven't been replacing them. At the end of the day, the number of dwellings has dropped from 14 000 to 11 000.

**Mr CHALLEN** - I am out of my area of expertise now; that's something you will have to talk to them about.

**CHAIR** - That is a good reason for selling them, that they haven't had the resources to -

**Mr CHALLEN** - Mr Harriss got me into this by asking me about maintenance backlogs and I think I have answered his question as best I can. I don't want to get sucked into an area that is not my area of expertise. I am more than happy to have the opportunity to defend myself but maybe this is not the best forum.

**CHAIR** - We have figures that show actual State and Commonwealth CSHA funding compared to the intended funding. We would like to confirm if these figures are correct.

**Mr CHALLEN** - Okay, we can take that away.

**Mrs SMITH** - The only other thing we would like to progress, as far as you can make comment, is the new CSHA of 2008 - with either party because I think they have different philosophies about how they might go. Is there anything you can give us in comment as to pluses and minuses of the different styles, and how it may or may not affect Tasmania? I think there is one philosophy that maybe they will open the market outside of only State governments and into the community sector. How far down the track are we with agreements?

**Mr CHRISTIAN** - Not very far down the track in terms of negotiating the next CSHA.

**Mrs SMITH** - Because we don't know what it is going to be.

**Mr CHRISTIAN** - No, the Commonwealth Government has not formed a position. I am sure Housing would have explained that the then minister went for an expression of interest to the market, didn't tie it to the CSHA but it was going on against the background of the CSHA coming to an end - and its end is June 2008. In the middle of this year they sought expressions of interest from local government, the private sector and State governments about how they might respond to innovative ways of building stock. A lot of the CSHA money goes to the existing stock, not new stock, so if a federal government decided to vacate looking after existing stock and put a priority on new stock, there would be pretty significant ramifications for the State. How does it, within the rent-raising capacity of the market that sits in public housing, meet all the costs that you've just talked about?

On the other side of politics, though, some of the announcements that they have made have ramifications for States as well. The shadow minister for housing announced a program of providing tax subsidies for super funds and the like to invest in new property and to make it available at discounted market rates - 20 per cent of the market rate, I think - and they would get a concession for that. But there is a quid pro quo on the States providing a minimum of \$2 000 per dwelling equivalent value of support.

So these are unilateral acts that have consequences for State Governments, so I think the forward landscape for Commonwealth/State financial relations in the housing area is going to be definitely vexed.

**CHAIR** - So is there a plan? There is not a new CSHA?

**Mr CHRISTIAN** - You would have to ask housing. It is their agreement.

**Mrs SMITH** - They will all retire.

**CHAIR** - I think they might ask Treasury, actually.

I got a distinction for macro-economics from a brilliant lecturer back in 1980 and economic theory seems to be changed over the last 27 years. Interest rates are a significant factor in housing affordability but there is a huge increase in Government spending, and I learnt that it would push interest rates up. Has that changed or am I in a lunacy land at the moment?

**Mr CHALLEN** - I can remember teaching macro-economics in 1980, funnily enough, and the model we taught in those days was a fixed-exchange rate economy, if you remember. There has been a very significant change since then. We have a floating exchange rate so we need a little time, I think, to work our way through this question.

**CHAIR** - So record Government spending is not going to push up interest rates?

**Mr CHALLEN** - It depends on the monetary policy settings, doesn't it. So if you had accommodating monetary policy, no it wouldn't, but if you had a monetary policy that is not accommodating, yes it will. What we are seeing at the moment, remember, is a huge amount of tax churn, so the economy is performing very well, tax receipts are up massively and the Government is frantically giving them back to us. There is not necessarily a big fiscal stimulus involved in that.

Frankly, my head is spinning in terms of what has been going on in the last few weeks nationally, so I do not know whether there is a fiscal stimulus involved or not.

**Mr HARRISS** - Yes you do.

*Laughter.*

**Mr CHALLEN** - I have my dark suspicions. It is quite a complex question but I think, as an Australian community, we are very fortunate indeed that we have a well-performing central bank. We are in good hands now.

**Mrs RATTRAY-WAGNER** - Just adding onto that, I was having a general conversation with people when there was a flag that there may be some tax cuts. Most people said they would rather see the health system fixed in Australia than have a tax cut.

**Mr CHALLEN** - I think the really interesting thing about that is that people think the health system needs fixing. We have an excellent health system in this country.

**CHAIR** - It is becoming two-tiered, though.

**Mr CHALLEN** - I have had quite a lot of personal experience in the last few years of members of my family being cared for in our public health system in Tasmania and I must say they got outstandingly good care. When I talk to people around the country, that is the story I hear everywhere. I think the perception out there that there are serious problems with our health system is just that, a perception fed by a media who pick on tiny little examples of things that go wrong in any well-running system.

By comparison with, say, the US health system, we are in wonderful shape. I think our professionals in that system, from the doctors and nurses at the coalface, all the way through to the bureaucrats, do a pretty good job. I think they are being very cruelly treated by the media.

**Mrs RATTRAY-WAGNER** - You will not get any argument here. It is interesting that most people, when you ask them what they think about politicians, always think they are a really poor lot, but they always say, 'Oh, but not you'. It is exactly the same, isn't it? They can really cannot pinpoint them but there is a perception.

**Mrs SMITH** - It is not a perception when you have to wait a long time. No-one questions the service, the professionalism and the quality of the health professionals; it is how long you have to wait before you can get in that door. You make choices - I have private health cover and I will keep it because I don't want to wait.

**Mr CHALLEN** - I'd love to keep this conversation going! I don't agree with you personally, but we would need to send the *Hansard* reporter out of the room and then we could have a proper conversation!

**CHAIR** - If there are no more questions, I will close the meeting. Thank you for your attendance.

**THE WITNESSES WITHDREW.**