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THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON HOUSING AFFORDABILITY MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE ON WEDNESDAY, 4 SEPTEMBER 2019

Professor RICHARD ECCLESTON, DIRECTOR, INSTITUTE FOR THE STUDY OF SOCIAL CHANGE; **Dr KATHLEEN FLANAGAN**, DEPUTY DIRECTOR, AND **Dr JULIA VERDOUW**, RESEARCH FELLOW, HOUSING AND COMMUNITY RESEARCH UNIT, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR (Ms Standen) - Welcome. Just before you begin giving evidence, have you received and read the guide sent to you by the committee secretary?

WITNESSES - Yes.

CHAIR - That being the case, I will reiterate some important aspects of that document. A committee hearing is a proceeding in parliament, which means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings.

This is a public hearing. Members of the public and journalists may be present, and this means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence. Do you understand?

Professor ECCLESTON - Yes.

Dr FLANAGAN - Yes.

CHAIR - And finally, just reiterating: there has been a change to the terms of reference, the addition of -

(ka) Regulation of rent price increases with particular reference to the ACT model.

We welcome any input.

I don't think I need to reintroduce committee members. For the record, apologies from Jenna Butler and Joan Rylah who are unable to join us today, but three members is a quorum for this committee and we match you, so isn't that nice?

We thank you for coming back. We are conscious that we had a terrific conversation last time and the committee was of a mind that we could continue that. I will start with a general invitation. Dr Flanagan, when you gave evidence recently you said that in order to meet demand in the long term - over something like a 20-year time horizon - I think you talked about the supply of social affordable housing needing to increase by some 14 200 at a cost of around \$3.15 million?

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Dr FLANAGAN - Yes.

CHAIR - To meet that trajectory, what more would be required, in your view, over the next three to five years, so the short-to-medium term time horizon, over and above the targets outlined within the Affordable Housing Action Plan 2019-2023, stage 2?

Dr FLANAGAN - Those figures were based on research by my colleague Julie Lawson. I tabled a copy of that report at the time. One of the things she and her co-authors did in that report was look at both current demand, or need, and rising need over that 20-year period. The 14 200 relates to the 20-year period, but approximately 11 000 of those dwellings are currently needed to meet need that exists in the community now. So that's homeless people and people in the lowest income quintile who are living in rental stress.

Clearly, if you've a current need of 11 000-plus dwellings, and the current affordable housing strategy has targets in hundreds, there's a fairly significant shortfall in terms of the capacity of that strategy to address the depth of need currently in the community.

CHAIR - It's around about 1400, they had two on top of the 900, and they had one. Would you care to comment on the implications if the Government were to stick to that strategy? I understand there would be resource implications if it were to go outside that envelope. If one were to stick to that trajectory to meet at least the current need, what would be required?

Dr FLANAGAN - I would make two points, First, the modelling done by Julie Lawson and her co-authors was based on census data. We know from our own research, particularly that done by our colleague Lisa Denny, on population figures, that there's been a fairly significant policy shock in Tasmania in the last two years so those numbers are likely to be an underestimate.

The affordable housing strategy was produced - and Julia and I were part of the initial round of consultations - in the context of a lot of talk about revenue neutralities. There was no new investment; I think some additional new investment was found subsequent to the strategy being developed. It was very much a 'This is what we have to spend, let's prioritise that spending'. That's where those targets came from. They are not actually about what we need to meet demand and how we can then resource that. It's about rationing. So much of housing policy and problems with housing policy have arisen from this need to ration and constantly tighten rationing.

Ms O'CONNOR - That's an historical truth too, isn't it?

Dr FLANAGAN - Yes.

Ms O'CONNOR - It's not just in this term or last term, or the term before it. It's been part of the social housing fabric for a very long.

Dr FLANAGAN - Absolutely, arguably the whole time. However, I have argued elsewhere in academic ways that although the housing system has always been rationed, in earlier decades, certainly in the 1930s, 1940s, 1950s and 1960s, it was an expectation that eventually rationing would not be necessary. That shifted in the 1970s. Certainly, you're right. Targeting was introduced from the 1970s onwards, and that's a rationing strategy. Concerns about under-occupancy is really a concern about rationing existing stock.

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Concerns about the waiting list: so why does this family get prioritised instead of this family? They are arguments about the basis of a rationing supply rather than 'This family's not in need and this one is', because everyone on the waiting list is in fairly significant need.

Sorry, I strayed.

CHAIR - Coming back to the core issue: if this is the 20-year big vision, understanding that if we were to move away from that rationing model, there would be implications in terms of resourcing, what would that look like in terms of what you would suggest the committee considers to be reasonable in a three- to five-year time frame? Or is that too difficult?

Dr FLANAGAN - No, it comes down to resources and arguing for increased investment.

CHAIR - Understand.

Dr FLANAGAN - Do you want me to put a quantum on what's reasonable? I can't really do that because I'm not across the full gamut of the state Budget, but budgeting is about priorities and -

CHAIR - No, setting aside budget implications to meet current demand and projected demand, in your view, in the short-to-medium term?

Dr FLANAGAN - The next census is when?

Professor ECCLESTON - In 2021.

Dr FLANAGAN - If you started building now, it is not possible you would over-build. You are not going to build 14 000 properties accidentally in the next two years. That's not going to happen.

If you started building now, in 2021 when the new census comes out, you could look at recalibrating then - 'Are we going okay?' Certainly when I've talked to my colleagues who were responsible for producing that modelling, their argument is that the numbers are so big, the proportion of new construction that has to be social housing to meet that need is so significant that, really, you could just start building now without waiting for perfect information.

CHAIR - I think we've heard from Shelter Tasmania that the proportion of social and affordable housing at the moment is something like 5.5 per cent and they've called for 10.

Professor ECCLESTON - A slightly different approach to the same question, and really what this committee has been about, is understanding the particular challenges facing the housing system. These are widely documented - trying to understand whether the current approach is adequate and what additional investment or perhaps new approaches are best in terms of addressing that challenge.

Much of the discussion is really on outputs and that's the way governments, agencies and budgets work. In all our reporting, it is important against the affordable housing strategies on whether we are meeting those output targets - 450 new dwellings.

The housing market is complex and then the interactions between providing affordable, secure and suitable housing and a whole host of social and economic outcomes are really complex.

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I think the better questions to ask are: What we trying to achieve? What does success look like? The investment initiatives under the Affordable Housing Strategy are a step in the right direction. Have the half-dozen or so key outcomes we'd be looking at in terms availability of housing in Tasmania improved? With the exception of the investment response and commencements and completions, they haven't really. I think Kym Goodes captured that really nicely when she said two years, 18 months, after the Housing Summit, when this first became a really significant issue, 'Have we made progress? Not really. There's a lot of activity and it's important, but the headwinds are still there. We're running to stand still.' Those were Kym Goodes' words.

In terms of thinking about what we're trying to achieve, some of the key matrix are clearly around the private rental market, the rental vacancy rate and that critically important Rental Affordability Index. That is, to what extent are house prices, particularly in the private market, running ahead of household income? When people are squeezed out of the private rental market, they obviously require social or community housing, or they face homelessness. So that's critically important.

Is our social and community housing system coping? The waiting list is imperfect and it's managed, but that's a key indicator. We also need to understand those who are seeking social and community housing with good need who can't access either the list or housing.

Linking to some of the work we've been doing on short stay accommodation, what is the stock of private rental accommodation? How does that vary, and how is the intensity of the short-stay market impacting on that?

The pointy end of these discussions is clearly homelessness. Data there is difficult but we can monitor that, and I'm sure Kathleen and Julia will say more about this, but in terms of the demand for homelessness services and the reasons for people seeking homelessness services, if one of those reasons is the inability to access housing as opposed to a whole range of other needs, that's a clear indication that we still have a market under stress.

In terms of my area of more general economic expertise around the provision of new supply, I think a critical measure is that residential completions in the area of major settlements need to be tracking at least 50 per cent of the net migration increase. That's because the average household size is 2.3 or 2.4. That means that new supply is at least meeting the migration-driven demand.

Overarching all that in terms of sustainability and wellbeing is: how are our settlements, our towns and our cities performing in terms of liveability? That's a longer term second tier issue, but in terms of this new investment in housing right across the spectrum, is it actually resulting in healthier, sustainable, liveable and productive cities, and ultimately preserving that lifestyle?

I think some of those indicators really need to come to the fore in discussions in Tasmania over the next year or two in terms of where we're making those difficult decisions about what as a community we're choosing to invest in and what's a priority. That's the politics of the budget process, and rightly so.

My final thought, for what it's worth, in terms of working across a whole range of social and economic issues, in terms of the importance of affordable, secure and suitable housing, I think it should be near the top of the list. There are the social justice and welfare outcomes that have

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dominated a lot of your submissions, and rightly so. There are longer term costs to government in terms of social and health and other service provision, long-run benefits to the economy in terms of having the provision of adequate housing and then the final one, which perhaps gets less attention, is just how important for the economy having affordable housing is. It is a millstone around the neck of the Tasmanian economy. It increases our cost base and tempers migration. Fortunately, when the national accounts are dire, the Tasmanian economy is holding up for the time being in terms of growth, but just the increase in rental prices in Greater Hobart over the last three or four years means that 25 000 households in the private rental market have to find \$5000 to \$6000 of income. That is effectively taking in \$125 million a year out of the Greater Hobart economy that is not available for consumption to promote retail sales and spending. That is a drag on the economy as well -

Ms O'CONNOR - Just for clarity, what you are talking about there - the \$5000 to \$6000 over that time is the rent increase for an individual household over the past five years?

Professor ECCLESTON - It has really been since 2016, over the last three-and-a-half years. Medium dwelling rental prices in Hobart have increased from around \$330 to \$440 so that is \$5500 to \$6000 a year; these are averages. There are 26 000 households in the private rental market in Hobart. It has been a slow burn because it does not happen immediately, but when leases come up for renewal, they are increasing in price. We are seeing that in the press week in, week out; you are hearing it in your offices. Overall as those leases come through, that is the cost on households.

Ms O'CONNOR - Under the current Residential Tenancy Act, we are now operating on 12-month leases. Invariably in the private market, the information we are getting is that every time a lease is up for renewal at the end of that year, there is a rent increase on that renewal. Is that your understanding?

Dr FLANAGAN - It is my understanding after speaking to people at the Tenants' Union of Tasmania; they are the experts in this particular area, especially around the reasonableness or otherwise of some of those rent increases. I am sure they have given evidence about that.

Professor ECCLESTON - They are the averages coming through. Many landlords are doing the right thing and the Government has the landlord assistance scheme which is assisting 200 or 300 households. That is an important initiative, but it is only a small part of the equation.

Ms O'CONNOR - There is an intersection between the availability and affordability of housing. As your Insight Eight: Regulating Short-Stay Accommodation in Tasmania: Issues to consider and options for reform report -

Professor ECCLESTON - That was a slick title.

Ms O'CONNOR - makes clear, there is an intersection, and a really clear one, between the lack of availability in the private rental market and the increase in short stay accommodation. Is it the institute's informed view that regulation is required? I note a number of policy recommendations here. This report is now a bit outdated, isn't it?

Dr VERDOUW - Yes. We have data to January this year and not since then, so we are hoping to update that in the near future. Yes, our position would be that regulating, certainly to a greater extent than what can probably be called at the moment a regulated deregulation, is required to reduce some of the pressures that Airbnb is bringing into the market. Our calculations are that there

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are around 400 properties in Hobart LGA that have been converted from longer term private rentals into short stay accommodation over between 2016-18 and January 2019. That's about 670 properties in Greater Hobart.

Ms O'CONNOR - Did you mean 4000 or 400?

Dr VERDOUW - Four hundred. About 399 in Hobart LGA. In a private rental market that is 7000 strong, that is still significant; it's a bit less than 6 per cent.

Ms O'CONNOR - In terms of comparing what other jurisdictions have done to rein in some of the skyrocketing increases in short stay accommodation listings, what sort of models do you think we should look at?

Dr VERDOUW - There are a lot of different pathways that different places have taken. It's hard to do policy transfer because there's so much going on within planning frameworks and what's going on in local areas that you can't transfer. In the work we've looked at in terms of regulating, there are some really key, more effective types of regulation and permit systems, frameworks that have a permit system that's well thought out and has different permit types that then can be adjusted according to what's going on, and the needs in local areas. It's really quite an effective tool.

We can see that in the current legislation, that has been tightened a little, which is good. It's a step in the right direction. What we will get from that is an understanding of the difference in the data between secondary investment properties being used for short-stay accommodation and primary residences in a more genuine sharing. We'll be able to see who's doing what, which will be really helpful.

CHAIR - We won't see that data, I think, until the end of January?

Dr VERDOUW - Yes, that sound about right.

The current legislation doesn't really regulate to change behaviours, particularly to change host behaviours that we really need to see change. We don't have a framework in our planning system at the moment for the Hobart LGA, which is experiencing some extreme pressures in the housing market, particularly in the rental market, to be able to act in a way that's flexible enough to respond to some of the housing dynamics going on in the time frames in which they're happening. These have been really quick, as we've seen over the last couple of years.

We don't have the flexibility in our system at the moment in the Hobart LGA to put caps on nights, on bookings available per year for a listing, for example. Another effective response is putting a freeze, or a moratorium, on the number of permits that can be issued. Our data at the moment shows that in Hobart LGA in January there were 1270 listings. We would say of those high-filter property listings, those more likely to be investment-style property listings number about 530. I think that's about right.

Another indicator of commercial-style listings are multi-listings - they're the hosts who have more than one or more property. They sit at about 600, so about half of all property listings in the Hobart LGA. We would probably say that you'd want to be capping somewhere around 530 and 600 listings if we're in a really pressured market. The ability to freeze permits is a really effective mechanism that we don't have at the moment. It would be great to see that kind of thing.

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CHAIR - Just to finish that line of question. Do you expect to be making a contribution to public policy in this area once the data is available around the end of January?

Ms O'CONNOR - Or an update?

Dr VERDOUW - We have ongoing plans, depending on budgeting, to continue this work. We think it's really important. Something to say about Airbnbs - it doesn't show its data. We've asked under the legislation. We'll be able to access some data, but it's going to be nowhere near enough to give us the kinds of information that we need to (a) make sure that compliance is happening, but, (b) to keep a handle on what's going in short stay accommodation.

Ms O'CONNOR - Do you think Airbnb is not showing its data to government either?

Dr VERDOUW - I think that's yet to be seen. There are plenty of cases in other jurisdictions where it shows its data to the extent it's been asked to. There are indications of plenty of occasions where it has not shown data, and legislation has fallen on its head because the data hasn't been there. There are both cases. I don't have any expectation that it will not show its data, I really hope that it does, but the data is still very limited in what it can provide us in understanding the sector. We are still going to need to use scraped data from inside Airbnb which we think is very reliable. We know that from our conversations with the author of that, but also it's used across the globe in many jurisdictions. Also, in our experience, the Airbnb data that has been released has aligned really well with the data we found. So we will need to continue to use that.

Mr TUCKER - I want to come back to taxation incentives, particularly land tax and stamp duty, and the opportunities there. I don't think we need a regulatory approach on this sort of thing. I think we need to bring private enterprise along with us. Governments can't afford to build all these houses so we have to incentivise how we can get more houses built. I am interested to hear your thoughts, especially Richard's, in regards to what opportunities you believe exist. We've been told the South Australian average weekly rent on a house is about \$100, with land tax, stamp duty and payroll tax. What are your thoughts on that?

Professor ECCLESTON - I agree with the premise of your question. We need to increase the supply of housing right across the board. The unfortunate reality is that when you have high residential house prices, if that housing is going to be affordable for a growing percentage of the population, it needs some form of subsidy. That's a national conversation. I think it's one we could initiate and drive from Tasmania in collaboration with the Commonwealth.

In terms of tax, is there a direct line of sight between short-term affordability issues and tax systems? Not directly. One argument for moving towards a broad-based land tax is that it means the owners of those assets who benefit from property price rises are perhaps contributing more in a sustainable way. It's essentially a form of wealth tax.

We've argued that trying to reduce stamp duty, particularly for lower value first home buyers, as long as it's done in the long term is probably advantageous. We had a long discussion about this as a group. I think the consensus was that we think for a whole range of reasons that home ownership is an important policy objective. The data in Tasmania and elsewhere shows that access to home ownership is falling and will fall over the long run because of the affordability challenges.

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There's the kind of property tax debate. One thing I don't think many economists who are truly impartial would support are short-term home buyer incentives because that just tends to pull forward demand. I don't think that's a long-run solution.

But you're right, John, what we need is that national conversation to think about how we can invest public money effectively to improve housing outcomes, and what kind of hybrid models work best. If we want to build an extra 1000 social and community homes in Tasmania, and the state Government were to pick up that entire bill, that's \$300 million, which is a big chunk of money.

We could leverage that in different ways because even the significant numbers of households that entirely benefit on government transfers and payments, have a capacity to pay, but the problem is that last 20 or 30 per cent, between an individual's or household's capacity to pay and the price of providing suitable and well-designed housing. We need to think about those models.

Dr FLANAGAN - I slightly depart from Richard's view in that the modelling done on the cost to government of increasing the supply of social and affordable housing, whether that is in subsidies or capital grants is that a model that involves private sector investment is always going to be more expensive than a solely government-funded model because there is a profit margin and that is a reality.

There is no way you could get the private sector to invest out of the goodness of their hearts. They are not going to do that, and why should they? They are investing with legal obligations to return a dividend to shareholders and superannuation funds, which are the Holy Grail of the private sector investment and which are acting in the interests of contributors to superannuation. They are not necessarily a particularly cheap source of finance. Having said that, there is a role for the private sector in supporting the National Housing Finance and Investment Corporation - NHFIC - so it can provide funds that way.

The point is that although we see government picking up the tab as a more expensive option, it is actually a cheaper option when you consider that the private sector is involved. A return on investment is expected that is not required from government intervention. That said, it becomes a balance because a government subsidy, an operational subsidy, is spread over a period of years whereas you have to find an upfront capital grant all at once. I imagine Treasury would have views on the desirability of one or the other. I wanted to make that point.

CHAIR - I have a follow-up question looking at rent to buy-style schemes. Back in the 1973 housing agreement, apparently public housing tenants had an option to purchase on a no deposit basis with repayments over 53 years at an interest rate of 5.75 per cent. Do you have any observations about that? Have you seen that done in other countries? Do you think there is merit in looking at those sorts of schemes?

Dr FLANAGAN - Tasmania had that system in place from the 1940s onwards. Under that system you remained a tenant, but you were purchasing the property, so the title did not transfer until the end of the loan period. There were, as you say, low interest rates relative to what you would get commercially and there was no deposit required, although you could pay a deposit if you wanted to.

Two points: importantly, that model was premised on a cost-recovery basis, so the costs you paid were your purchase instalment payments, which were covering the full cost of that house. It wasn't something like your right to buy in Britain where tenants buy their house for half of what it

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is worth. There are a large number of criticisms you could rightly make about that kind of model, but rent to purchase is a bit different. It is over a 53-year period so whether that fits with the way in which we consume and use housing now is arguable. These programs were set up at a time when it was considered the right and proper role of government to help people to settle in communities, build a life, stay there, age in the home, potentially die in the home - housing for life; culturally how we now view housing has changed.

Ms O'CONNOR - Not necessarily for the better.

Dr FLANAGAN - I say that without judgement about whether it is a desirable thing or not. It has changed, whether we think that or not. We know that attitudes to mobility shift with incomes so lower income households and households with children are more likely to want stability and to be settled and to remain in a place for very good and obvious reasons.

I'm saying that the old style of rent to purchase used in the 1940s, 1950s and 1960s worked really well for that group of people. There are a lot of age pensioners today who are homeowners and who are not living in poverty because of that program. Whether you could just pluck it out of history -

CHAIR - Because we've moved on.

Dr FLANAGAN - and plonk it on the table is questionable. Having said that, when you talk to tenants themselves about their aspirations and what they would like to have happen to the public housing system, a system of rent to purchase is one area where they are very supportive of being able to do that because it allows them to remain in their homes while still acquiring an asset that is a protector against poverty in old age.

CHAIR - Time is getting away and I'm going to allow committee members one more question each. Mr Tucker first?

Mr TUCKER - I want to talk about labour supply. You're saying we need 11 000 homes in this state to fix the current issue?

Dr FLANAGAN - Social and affordable.

Mr TUCKER - Yes. I'm talking about building those houses and the labour that's required to build those houses. Have you done any studies within the university on the labour required per house to build houses, what effect that would have on our housing crisis in the short term if we went in and built all these homes, and the issue that would create for us?

Professor ECCLESTON - Another good question. We've thought about it and discussed it. It would create an issue. It could be a problem in the short run, but it's also an opportunity. Any housing strategy needs an aligned kind of skills program. I think we've made progress in terms of thinking about our traditional big ticket infrastructure pipeline - where that's going to be, how we're going to fund it, what the priorities are, and what sort of resources, including labour, we need to do that.

Housing needs to be in exactly the same category because one thing we identified in our housing update last year is the discussion about whether it's red tape, local government and planning that's the bottleneck.

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What we've seen over the last two years is a really big increase in approvals, notwithstanding individual cases. I'm not thinking about Huntingfield or anything else. Residential developments were being approved, but what wasn't moving were approvals that hadn't been commenced.

Talking to builders, as you do, as I do, about what's going on, it is a labour shortage. I don't blame the individual builders and contractors. The sector was in recession five years ago. They had to let go of staff. Then you have this really sudden demand, and there's a skill shortage. We need to map these things out in parallel.

Mr TUCKER - Some of the population figures I've seen are like we're the iron man at the moment. We have this great big broad-shouldered man, then we come in and it's a huge problem about working age.

Ms O'CONNOR - Skinny hips.

Professor ECCLESTON - Isn't this an opportunity? Building houses is relatively labour intensive. It can't be outsourced or offshored. Notwithstanding reasonably strong economic performance at the moment, we've got a huge issue with youth unemployment, particularly among young men, and we just need to align that in terms of what are the skills needs, and whether our training system is fit for purpose in terms of scaling this up over time.

Dr VERDOUW - Correct me if I'm wrong, but I think some of the population gains in terms of inward migration is in the 15-to-24 and 25-to-34 age groups too.

Dr FLANAGAN - Both historically, and there are contemporary examples internationally, one of the advantages of having an active public/social housing building program is that it allows government a measure of control over the boom-bust economic cycle, that it allows you to manage some of those consequences of employment suddenly going up because you're active within a productive area of the economy. We have used that historically in Tasmania; in the 1970s they scaled up public housing production during that economically turbulent time.

Professor ECCLESTON - Lance Bernard made sure that happened.

Dr FLANAGAN - Yes, but certainly oversees they use it for the same thing, as a kind of stimulus in bad times - a measure of keeping the economy steadier than it would otherwise be.

Professor ECCLESTON - Going back to having some sort of indicators in terms of what we expect from the housing system, if we do have a surplus of housing or adequate housing, well then you would perhaps. It is probably an indicator that investment is occurring elsewhere and you probably would turn down the volume a bit.

CHAIR - A surplus of housing would be nirvana, wouldn't it?

Professor ECCLESTON - But it is an economic opportunity.

Ms O'CONNOR - I want to explore with you the potential for regulation of rental increases. As we heard from the Tenants' Union and other people who have given evidence before the committee, rents are increasing at a rate that individuals and families are finding very difficult to absorb. As we know, there is a cap on Commonwealth Rent Assistance. I am interested in the

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institute's view on regulation of rents. The Australian Capital Territory has a possibly slightly imperfect but still it is a model. What are your thoughts?

Dr FLANAGAN - I thought I had printed out the relevant version of the ACT act but I actually printed out the next bit, Resolution of residential tenancy disputes, which is less helpful, so this will be off the top of my head. I am not a legal expert, but it sounds as though the ACT model provides more regulatory guidance around how you determine whether a rental increase is excessive or not, and I think that is of value. At the moment our legislation is kind of what the market is doing; when the market is doing what it is doing at the moment, that is not especially helpful for people who are paying.

We had a conversation yesterday about rental increases and one thing we talked about, which I think we are agreed on, is that if you were to do something around regulation rental increases, you would need to be conscious of the need to parallel that with regulation of short stay. What you risk happening if you just regulate rent increases in isolation is that people just shift their investment into another part of the market. If you did decide to go down that line, you would need to be more interventionist in relation to short stay than we currently are.

CHAIR - I want to come to the other end of the conundrum, which is around homeless and at risk of homelessness. The Government's decision over the last year has been to invest additional funding in extending shelters. Obviously our shelters are full and they are turning people away daily. Do you think that simply building more shelters is an appropriate response or are there other modules and elements you think are worth considering or would be more appropriate?

Dr FLANAGAN - That is such a hard question because what you are asking about - shelters turning people away - is obviously awful. I have done research on family violence and sometimes that means women going back to violent relationships and we never want to see that.

Ms O'CONNOR - It is dangerous.

CHAIR - It feels like a balloon that you squeeze and it pops out somewhere else.

Dr FLANAGAN - But at the same time we also know that even for people who get into shelters, that on its own is not enough. They need exit points into long-term, secure and sustainable housing. If your response to homelessness is merely to build more shelter beds, all you are doing is housing people for the now but not necessarily allowing them to rebuild their lives into the future. There actually needs to be parallel investment in what the sector refers to as 'exit' points - places that people can go out of the shelter.

Ms O'CONNOR - Homes.

Dr FLANAGAN - Homes, exactly. Julia has done more work on the Housing First model than I have, but that model says that ideally you would skip the shelter stage and would move people straight into a permanent home. That's best practice. Having said that, there is a role for shelters in some cases as well, so you wouldn't want to close all the shelters down because sometimes we will need them.

Dr VERDOUW - I agree that having exit points is really important. One thing that has really stood out to me in some of the research we've done recently on social housing providers, and talking to tenants and social housing providers - including specialist homelessness services - is that people

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are falling through the gaps because there are gaps between the different transition points. In a crisis, you need crisis accommodation, you need those shelters. But moving from one to the next, we want a transition from one to the next. However, for some groups - in particular, young people and people with complex health needs and mental health illnesses - one thing that really needs to cover those transitions is support. You can't just talk about housing for people who are at risk or homeless without talking about support.

People who are in supported accommodation or in a homeless crisis centre sometimes can be there for up to two years. They find some stability; they find their footing and support enough to move on. What happens over and over is that people move on into social housing, for example, and within three months just fall out of the system again because they don't have the support to stay in - even if the exit point is there, the support is not. There needs to be wraparound support that follows people, not just from a crisis accommodation situation but also into the next form of housing, to support them to stay longer term.

CHAIR - We need to wind up, but I invite you to offer any final points. You are three eminent experts in this space: do you want to leave us with any final thoughts we haven't specifically asked you?

Ms O'CONNOR - Or draft some recommendations for us on the fly?

Professor ECCLESTON - I think it is important to think about what we're trying to achieve, what are the goals of policy, and whether it will be an ongoing discussion.

To your questions, John, I think it would be useful for us to try to focus some time and energy in terms of thinking about alternative investment models. You have asked the question, as did my boss earlier in the week when he was about to address a superannuation conference. The question is: what are large international superannuation and investment funds doing to invest in social infrastructure, and are there some models yet to take on in Australia?

The final one on homelessness - I'm not sure whether she's given evidence, but another authority with deep expertise is Dr Catherine Robinson from SARC, who is a leading national figure in that particularly challenging area of homelessness.

CHAIR - No, Dr Robinson hasn't appeared

Professor ECCLESTON - If you are still open to receiving evidence, it would be well worth talking to Dr Robinson.

CHAIR - I know her work is specifically in the under-16 age bracket.

Professor ECCLESTON - Yes, particularly in terms of youth homelessness; she has worked on that nationally and internationally.

CHAIR - It is perhaps a gap in the evidence we have received, yes. Thank you.

Professor ECCLESTON - By all accounts, and again it's coming out of the data, it's a group which is in really acute need and a group that often doesn't have a voice at these types of forums.

CHAIR - Any final pearls?

PUBLIC

Dr FLANAGAN - I don't know if it's a pearl. The state of the problem is significant and the numbers involved are significant, but I think we also need to think about this as an opportunity to build something good. Housing is productive social infrastructure - providing it is good.

Professor ECCLESTON - I think it's about reframing. To think about housing and associated social and economic benefits in terms of investment. You were talking about the investment in social housing being quarantined, this is one particular area of welfare service, but it's much more than that. It's a political reframing, but it's also thinking about rationalising as an investment how others can contribute to that.

Back to that point - sorry, I did talk about budgets - the budget process. This is not just a portfolio responsibility of the Department of Communities Tasmania, this is a whole-of-government investment and social infrastructure question. If we invest in this now, there's pretty robust evidence, and I think we're slowly building an evidence base in Tasmania, that in terms of the social and economic dividends, five, 10 or 15 years down the track - I know that's well beyond a parliamentary term - are pretty significant. That's what some jurisdictions are starting to do.

Dr VERDOUW - I think housing affordability is one of the deepest, largest, widest issues facing our community in Tasmania and elsewhere, but in Tasmania at the moment. I think it's great there's an inquiry. I think you've a hard job ahead of you, and I wish you all the best in that. I agree with my colleagues. It's about government priority and the Government needs to prioritise housing and housing affordability, not just in the department but much further and wider than that.

CHAIR - Thank you all very much for the additional time you have provided. I note that at least two of you are operating from a cheat sheet there, if you wanted to table any further documents. Thank you very much for your time and the inconvenience of coming back for a second time; we appreciate that.

As I advised you at the commencement of your evidence, what you have said to us here today is protected by parliamentary privilege. Once you leave the table, you need to be aware that privilege does not attach to comments you may make to anyone, including to the media, even if you are just repeating what you said to us. Do you understand that? Thanks again.

THE WITNESSES WITHDREW.

PUBLIC

Mr PETER McGLONE, DIRECTOR, TASMANIAN CONSERVATION TRUST

CHAIR - Peter, thank you and apologies for the delay in bringing you to the table. I'm aware you were going to join us by phone in Launceston last time, and it's good to see you face to face.

Mr McGLONE - I was racing as it was; you told me five minutes before my bus left, I managed to get the bus, which is a big thing when you look at Dodges Ferry.

CHAIR - The committee will need to conclude at 2.30, Peter, because the bells will ring and we'll be required to go back into parliament. I need to just read this statement before you provide evidence.

Before you begin giving your evidence, have you received and read the guide sent to you by the committee secretary? That being the case, I will just reiterate that a committee hearing is a proceeding in parliament, which means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings.

This is a public hearing. Members of the public and journalists may be present, and this means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence. Do you understand?

Mr McGLONE - I do, yes.

CHAIR - And finally, I will just flag that there has been a change, the addition of a new term of reference for the inquiry, namely -

(ka) Regulation of rent price increases with particular reference to the ACT model.

We invite your input on that or any other term of reference.

Mr McGLONE - With the shortage of time I have come with some very brief introductory comments and some new bits of information.

CHAIR - Take as long as you like and then we will get into some questions. We have received your submission, thank you.

Mr McGLONE - To begin with, my submission introduction makes clear what I see the interest of a conservation group and housing affordability is, and I do not want to repeat that. On a personal note I have family history that puts a lot of fire in the belly in this area. In 1975, my mother had a house at Dodges Ferry, five boys in a two-bedroom shack and all us boys witnessed the day the landlord knocked on the door and told mum we had to leave within weeks with nowhere to go.

We actually thought that two-bedroom shack at Dodges was a palace. Luckily through various means I will not explain, we ended up in a Housing Commission house, which was a saviour. We

PUBLIC

spent 13 years at Rokeby - and another day I could tell you my experiences of living in Rokeby in the 1970s and 1980s but I will not.

Just to kick off, my submission basically points out three fairly big picture areas of housing policy and debate that get very little attention from the public, the media and government. One is that there has been very little attention - I think now there is a lot of attention - on the causes of the problem of housing affordability. At the moment the state Government has no explicit commitment to fixing the housing crisis, and it has no explicit set of targets for achieving that goal or any other targets towards that goal.

In my introduction I want to focus on a third of those points - that is, the state's Affordable Housing Strategy. The Affordability Housing Strategy was created in 2015 and, contrary to what a lot of people think, it has not been reviewed. What has been reviewed is the action plan - every three years there is an action plan. It was reviewed last year, but the actual key strategies and objectives remain unchanged; they are set by the strategy. It is clearly limited in many ways and there is a very strong demand to see that strategy reviewed.

The biggest weakness in the strategy is that private housing is largely ignored. I will elaborate a bit more. There are two actions only in that strategy that relate to the private housing market - one is to open up crown land for private housing and the other is the First Home Owner Grant - FHOG. Most people in Tasmania depend on the private housing market. As important as government and social housing is, I think one of the things we are missing out on is the demand for government and social housing growing for sorts of reasons. We should be looking at what is wrong with the private housing market that is fuelling the demand for more government housing. That is just one reason to look at it.

There are now actions to increase availability of houses that are not on the market. Living in a coastal shack area, I see probably dozens of houses that are not occupied for 90 per cent of the year. We have no good data that I know of - I have not found any - on what number or type of houses are not available for rent or purchase and why they are not available. There are no grants available for improving the liveability of houses as there is in New Zealand. In Tasmania we have the Tasmanian Energy Efficient Loan Scheme - TEELS - a loan which is limiting in that a lot of people who are well off feel comfortable about repaying a loan. It is an assumption that a lot of people who are very poor are going to be less likely to take up a loan.

There is an opening there for a grant scheme. In New Zealand they have a very generous grant scheme for people to buy, for example, insulation, double glazing and energy efficient heating. One of the things I found very frustrating is that while TEELS is probably doing some good, but when I asked the DPAC person who deals with that, they said go to Aurora and ask them for reporting, and they said there is no reporting on the uptake of TEELS.

Ms O'CONNOR - Perhaps you should go to Westpac because part of this is issuing a Westpac credit card.

Mr McGLONE - Well, these people said that there was no reporting. Aurora said there was no reporting. It may be a wonderful scam; we don't know. I find it amazing that government is loaning many millions of dollars and we don't what the actual benefit of that is, if there is any - whether the people most in need are getting those loans, whether the loans are being used for the purpose they expect, or whether they are ending up with much higher power bills because they got a wonderful new heater that they use too much. Who knows?

PUBLIC

One of the most challenging issues to address is that there's no action in the strategy dealing with the government actually entering the private market for housing. In New Zealand - and people in the housing lobby groups in Tasmania, I think, are not fully aware of it and not advocating it, but it's extraordinary - the government went to the last election with a policy of investing \$2 billion in 100 000 houses over 10 years. They are not government houses; they are to be sold on the open market at a price fixed by the government, to be built in places where the housing is demanded of a scale and type that suits old people, young people, small families and big families. They are entering the housing market in an extraordinary fashion, with all the income to be put back into the scheme.

The other thing the New Zealanders have done, which again is very interventionist, is introducing new - and some of them are in place now - standards of rental housing. One that interests me most is that they mandate that all rentals have to have heating of a sufficient standard to keep the main living area at a specific temperature of 18 degrees Celsius on the coldest day in winter. It's not a made-up number, that's the World Health Organization recommendation. They're going to regulate that through whenever rental contracts come up for renewal. I haven't investigated the details, but that's the mechanism. They will find out when that contract is to be renewed and they can actually look at the house and at its heating. They have ways of measuring the temperature.

Just a couple more points on the First Home Owner Grant and crown land. I think a lot of economists talk about these grants as simply leading to an increase. They increase the supply of housing but it tends to make housing more expensive. You could probably interview lots of economists who can justify that.

I noted an article in *The Mercury* back June, which I referenced in my submission, in which a couple were interviewed. They got a \$20 000 FHOG and they said it enabled them to buy 'nicer finishes and curtains and furnishings, and adding an extra bedroom'. So without that grant they simply would have been able to buy a smaller house and they would have no greater housing stress. So the housing grant hasn't benefited them whatsoever, I would argue. That's what the economists are saying - the price of housing simply goes up to compensate.

With crown land, I just want to finish on Huntingfield because I think it's a very current issue. We can talk about it another time perhaps. But fast-tracking crown land in the way it's being done is causing all sorts of contention in the community, but the thing I find staggering is that unless there's something new in the order that's been tabled yesterday, there's no guarantee of a single government social house being built at Huntingfield.

The previous subdivision that was crown land resulted in no government houses. This one is proposing, I think, 450 lots. There is no guarantee there will be one government or social house, which is extraordinary. What's the purpose of this process? I will finish there.

Ms O'CONNOR - Thank you very much for that evidence, Mr McGlone. You've brought to our attention a number of issues that have not been raised by other witnesses, which is excellent. The issue of density, one of the main topics you raise in your submission, relates to urban sprawl and the impact on the natural environment and the resources and ecosystem services that the natural environment provides. There is tension within the policy settings where people want to see more affordable housing but there is a resistance to increasing density. Would it be your evidence that to protect bushland, natural resources and farmlands and reduce our emissions, we need to look at increasing density to somewhere around medium density for Greater Hobart?

PUBLIC

Mr McGLONE - I think it can be done. Two measures are needed: first, there needs to be some mechanism like a growth boundary, not necessarily to stop urban sprawl - it can happen to a degree but current growth boundaries are a bit too flexible; and, second, something can be done, which the Government is actually heading down the path of, to recommend changes to the Tasmanian Planning Scheme to allow infill and medium density development.

It is a very good thing; the most important thing is that the Government has clarified that the minister is aiming to develop a mechanism to identify areas for medium density in areas that are not currently residential developments. You are not going to have the clash between medium density developments overshadowing someone's backyard or living-room or taking away their green space or other infrastructure. He is setting up an objective of avoiding conflict where possible, which is great.

Clearly there are limitations to what they are talking about. The number one thing is there is no mention of limiting urban sprawl and there is no mention that medium density housing will actually be affordable. Just pumping out more houses without asking how we are going to make it affordable is not really going to solve the problem.

Ms O'CONNOR - We had evidence put to us by Mr Tony Walsh, who has been looking at the costs of building a house and the materials used in housing construction. He has put forward a model which is pretty remarkable that uses a timber composite board and potentially can reduce labour costs by 50 per cent but also reduce the embedded energy costs of housing construction. Have you any thoughts on the need to look at different models of housing construction to lower their environmental footprint?

Mr McGLONE - I should have said one of the benefits of medium density development is that no matter how you build them, you tend to have energy savings and resource savings because you need fewer resources to build each dwelling and you have a greater capacity to retain heat. I could have written an entirely different submission to emphasise the benefits - a lot of people think about the cost of constructing a house, but there is not a lot of debate about the cost of maintaining an occupied house. One of the areas where the most amazing correlation between sustainability and affordability is reducing the amount of energy you need. It is not just about the amount of the cost; it is also about having a place that is actually liveable, that you actually do not have to stand right next to the heater to feel vaguely warm.

The policy in New Zealand is that any point in the living room has to be 18 degrees or more on the coldest day so you have to have low-cost heating, but it also has to be liveable, which means a whole lot of other things to do with the house. In New Zealand they have a very good awareness of the impact of dampness. I do not know whether we collect statistics on dampness impacts here - you hear the occasional story like an article in *The Examiner* last month. The impact of dampness sends thousands of children a year to hospital in New Zealand. They estimate 40 000 hospitalisations due to dampness; that is why they took on the housing issue. I do not think we have the statistics; we do not know. Dampness is really what agitates existing illnesses like asthma and there are people who know about this issue far better than I do. I wandered off there, but I wanted to emphasise that it is not just about energy saving and cost-saving, it is also about the liveability of the house.

Ms O'CONNOR - It is design and scale, isn't it? The size of the house, energy efficiency, thermal efficiency.

PUBLIC

Mr McGLONE - This young couple were very happy to add another bedroom, but they never thought about the added cost for 40 years if they live in that house. That is what you have to think about - do you compromise? When I went to the bank 15 years ago, they insisted on me having a second bedroom. I said, 'I don't have family and I don't plan to have one' - 'You must have a second bedroom'. These people chose to have a second bedroom and got a subsidy from the government for it. No-one sat down and worked out the added energy costs over 40 years.

CHAIR - It's an interesting concept - the New Zealand one of thermal efficiency and so on. In some of our older housing stock, it would be a considerable cost to the household to maintain a minimum 18 degrees, I suspect, because we have this problem with inefficient ageing housing stock et cetera. How would one tackle that sort of equity and fairness problem? For public housing stock, but also for the private rental market, which is significant. One in five people is in private renting.

Mr McGLONE - Well, there are two parts to that. The New Zealand policy was that for existing rental houses and flats, a whole raft of requirements were going to be phased in. They are going to have the capacity to require changes to houses. They are going to have capacity to say, 'You have to put a different heater in of a specific type'. I wonder whether they have thought of whether people are going to say, 'Well, I'm going to close that house down and not rent it'. I haven't followed the matter closely enough to know that.

I think they are also offering grants for people to buy better heating. In the past, not now, they've had grants for landlords to get money to pay for insulation and heating. At the moment that's not available for the landlord. I think they are going to have to find ways to sugar-coat it, otherwise people will just say, 'Bugger this, I'll just keep my house vacant and people will go out on the street'. That is going to be a tough thing to implement.

CHAIR - Yes, and on that matter of vacancy, you've made the point that in some places, including some of our coastal towns, we've got high vacancy, and yet in urban centres we've got this conundrum, with some evidence we've received that short stay accommodation with property owners switching from private long-term rental to short-stay is putting additional pressure on the private rental market. How do those things go hand in glove?

Mr McGLONE - I don't think the information is there on how many vacant houses there in the inner city area either. Undoubtedly some people will buy a house in Hobart as an investment and they don't want the fuss and cost of renting it out because you've got to pay a manager and take the risk that it might be damaged or whatever. We simply don't know. Anglicare told me it's undoubtedly less of a problem than on the mainland because a problem unique to the big cities there is that investors are buying lots of high rise flats just for the purpose of having investments. That doesn't happen in Tasmania, but undoubtedly there are vacant houses. We don't know what the quantum is and where they are. It may be only a few per cent of the solution, but it's worth looking at. We simply don't know what it is.

Nationally there is an estimate of 7 per cent of houses and flats being vacant.

Ms O'CONNOR - Do you support a vacant residency tax?

Mr McGLONE - I remember your policy on that and I don't know what impact that would have on the average owner.

PUBLIC

Ms O'CONNOR - It might make them more ready to rent their home.

Mr McGLONE - Or they might sell. I really don't know how that would -

CHAIR - If not that, what sort of mechanism would you propose to make those vacant properties open and available?

Mr McGLONE - First of all, we'd probably need a bit of research, and I think it's been done on the mainland, to find out the quantum. If it's all shacks in really isolated areas, it's probably not going to solve the problem. I probably should keep statistics, but it's a bit improper, on how many houses just in Dodges Ferry are vacant, and a lot of people live there and commute.

Sorry, I think I lost the gist of the question there a bit.

CHAIR - Part of the issue is: how do we hold on the one hand the desire to reduce vacancy, make properties available, but also ensure we are driving properties into the long-term private rental market, I suppose, rather than short stay?

Mr McGLONE - The policy that the Government announced last year offered grants for people to free up a house currently not available for rent. The problem with that, which I'm sure many other people have commented on, is that, first, there seems to be a very low uptake. The last statistics were very small number statewide.

CHAIR - It's 120 or so.

Ms O'CONNOR - It's a short-term program.

Mr McGLONE - But you have to leave the government waiting lists. There's no guarantee that these houses are going to pop up in any convenient place for you. There are no strategies behind directing the grants to the places of most need. It's not going to be a winner unless you have some sort of more targeted approach. You could have a tiered system where you get far more if your house is in greater demand in terms of the location and type of house.

The current approach of the Government came up in response to the Housing Summit. It didn't come up as a result of a thorough review of the housing strategy. That's the point I make in my submission - you get failed strategies if you don't actually do the planning and thinking and work out whether it should be part of the review of the housing strategy. What's the best way of freeing up existing housing?

In terms of environmental outcomes, that's the biggest winner for environment because you're not building a new house. You're freeing up an existing house - win-win. It's wonderful.

Ms O'CONNOR - A couple of things, Mr McGlone. You were talking earlier about the health impacts of mould in homes and homes that are not thermally efficient. As you'd be aware, between 2010 and 2014 under a Greens minister, 9500 free energy efficiency upgrades were rolled out across the public housing stock, but also within the private rental market targeting older residents. Do you think the Tasmanian Conservation Trust would support a government investing directly in improving the thermal efficiency of its own public housing stock, but also perhaps making a service available to other vulnerable cohorts within the private rental market for the energy efficiency upgrades that improve their health and lower their energy costs?

PUBLIC

Mr McGLONE - I think it's easy to say yes and yes. I know people at Sustainable Living Tasmania who did some of that auditing of government housing stock and from all accounts it was very effective. They documented very carefully what actually resulted from all their efforts, and some of it is surprising, where you lose energy and lose heat and lose liveability. It's having houses that have drafts - either the wall actually leaks air or you have chimneys that aren't blocked up and that sort of thing.

As well we should be looking at better heating. It sounds funny, but it's really serious - some African new Australians were so cold, they were turning the stove on and opening it to keep warm, which has to be about the most expensive form of heating.

I don't see any reason why that shouldn't be applied to the rental market as well, with priority given to people who have the poorest quality of housing and the greatest need, particularly people who are elderly or frail, people with asthma. I don't think our standards for rental housing go anywhere near what the New Zealanders have come up with. There are certain standards, but you can't have houses that have torrents of rain coming through the roof, that can be dealt with by current regulations.

A friend of mine lives in a house where the landlord refuses to mend a hole in the roof that allows water to come into the house - luckily not a liveable part of it, the laundry - but it's a pretty bad thing to experience. There's no law that seems to require that to be repaired. One of the other things that happens in New Zealand is that it's a combination of ventilation and stopping water getting in, which is not my area of expertise, but it's an awfully bad thing if you have a lot of moisture coming in and it doesn't leave the house. You know where that leads.

Ms O'CONNOR - You would support changes to the Residential Tenancy Act that elevate minimum standards around heating and maintenance, for example, which is also supported by the Tenants' Union of Tasmania?

Mr McGLONE - I'm getting to the edges of my knowledge, but I think the New Zealand example, and there are probably other examples, needs to be looked at - that is, where you need fairly clear regulation in the rental market on all those issues of water egress, ventilation that diminishes dampness, heating standards and the overall temperature you can maintain in the house. All those things need to be looked at; with perhaps a bit of hindsight, we can look at New Zealand and, maybe with a bit of planning for incentives, as well as the potential to regulate landlords, do better than they do.

CHAIR - Unfortunately, we are about out of time so we might wind it up, committee. Thank you, Mr McGlone. I just need to read a statement after you have provided evidence.

Mr McGLONE - Can I finish with one last thing? It is easy to gripe about the Government and not pat them on the back, but one thing that shows promise from Mr Jaensch is that last year he passed legislation to create Tasmanian planning policies. In parliament and in person in meetings he has made it clear that he wants to prioritise a planning policy on settlement. There will be a range of things related to settlement; it has to be connected to population policy and - these are his words - 'population policy, transport, liveability, housing affordability', so housing settlement generally but housing affordability is getting a big priority.

PUBLIC

I understand we are weeks or a month away from a draft of those policies coming out for comment. I think that potentially it will be slow, but it will work through to changes in the state planning scheme that will advantage housing generally. It will tell us where we want to go with housing in the planning system and there will be some identification of policies around affordability. Whether they go with the quotas and subdivisions people talked about, I do not know but that is the sort of thing that could happen.

Ms O'CONNOR - I cannot pass by the opportunity to highlight that is a policy the Greens took to at the last state election.

CHAIR - Thank you, Mr McGlone. I need to conclude with a statement after providing evidence. As I advised you at the commencement of your evidence, what you have said to us here today is protected by parliamentary privilege. Once you leave the table, you need to be aware that privilege does not attach to comments you may make to anyone, including the media, even if you are just repeating what you said to us. Do you understand that?

Mr McGLONE - I do, yes.

CHAIR - Thank you, Peter, for appearing before the committee and for the time you put into your submission.

THE WITNESS WITHDREW.