

Submission
No 2

**INQUIRY INTO HOMELESSNESS AND LOW-COST
RENTAL ACCOMMODATION**

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Review of Residential Tenancies Act as a Basic Tenet of Affordable Rental Accommodation

In the last 12 months, rents in N.S.W. have risen around 11%, while in the same period wages rose 3.9% and the CPI rose just 3%. At present "685,000 Australians are living in rental stress" (Tanya Plibersek, Federal Housing Minister). And as 10,000 p.a. mortgage defaulters return to renting in a slowing housing market, that number will increase.

Why are rents rising at 3 times the rate of wage rises?

¶ Market forces (supply and demand) are "out of control". This is because the NSW Residential Tenancies Act 1987 was created to allow rents to rise at whatever the landlord can get a tenant to pay, to restrict tenancies to just one year or less, and after that time to terminate tenancies without reason. In the current climate of high demand, as more and more of us are forced to rent, there is effectively no chance of challenging a rent rise or a termination without grounds (clause 58).

¶ The Federal taxation system has evolved, through negative gearing and reduced fringe benefits tax, to encourage property speculation (which is called "investment"). What you thought was your 'home' is usually regarded by property speculators as no more than a superannuation scheme by which to maximise profit (check out the Investors' Club website).

¶ As the Federal government and the Reserve Bank attempt to bring inflation down, the cost of house ownership is rising (with interest rates), driving up the cost of renting as well. Meanwhile, wages are being held to reasonable increases under the awards system.

What's needed?

In European countries such as Switzerland, Germany or France, where renting is the norm, a person's "home" is treated with the same respect we treat a person's income and other needs. Where a tenancy is automatically renewed unless due cause is shown, where renovation is the responsibility of the tenant, and where rents are geared to the cost of living, not the vagaries of the marketplace. To achieve this here:

¶ Slow and affordable increases in private rents (just as we support slow and affordable wage increases). In NSW, under the Residential Tenancies Act 1987 (clause 48), rent increases are not controlled by truly objective criteria. It is assumed that a tenant can successfully challenge a rent increase, but in the high-demand housing markets of today, such a challenge is unlikely to succeed. Government can legislate to protect tenants by linking rent increases to the Consumer Price Index.

¶ Protection from Unsubstantiated Eviction (just as we support Unfair Dismissal). In NSW again, for example, under the Act (clause 58), once a tenancy agreement lapses, the landlord is not obliged to negotiate a new tenancy agreement and can evict a tenant within 60 days without giving any reason (landlords often do this to raise rents by 30+%). A tenant therefore has no redress against loss of housing and all the expense that relocation incurs (not to mention stress). Government can legislate to nominate and restrict the circumstances under which a tenant can be evicted in Australia.

¶ Security of Housing (just as we support security of income). In the situation that has recently evolved in Australia, we are quickly replicating the situation of housing in much of Europe, where most people are renting for their lifetime. The European model mentioned above is therefore an appropriate one for us. Governments can legislate to replicate the European model. This involves:

1. Long-term leases for 3 to 20 years.
2. Rent control carefully controlled to provide for the landlord to:
 - a). obtain rent increases proportional with gains in the CPI, and
 - b). incentives for the landlord or tenant to invest in maintenance (unlike some examples in the U.S*, which contribute to the decay of ghettos).

*In the USA, the home of free enterprise, after WWII, a dozen cities were identified in which a significant proportion of people were renting. Rents here were controlled by formula to meet the two objectives above.

Beyond Fair trading laws, this massive problem requires whole-of-government strategies involving Federal and State housing, taxation and planning reforms.

Thank you,
Terry Tredrea