

CORRECTED PROOF

STANDING COMMITTEE ON SOCIAL ISSUES

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

At Sydney on Tuesday 7 April 2009

The Committee met at 10.00 a.m.

PRESENT

The Hon. I. W. West (Chair)

The Hon. G. J. Donnelly

The Hon. M. A. Ficarra

Dr J. Kaye

The Hon. T. J. Khan

The Hon. M. S. Veitch

CHAIR: Welcome to the first public hearing of the Standing Committee on Social Issues inquiry into homelessness and low cost rental accommodation. Today we will hear from key government departments and community organisations. The committee will hold its next hearing tomorrow. Witnesses at that hearing will be from the Homelessness Information Clearinghouse, the Department of Aboriginal Affairs, the New South Wales Federation of Housing Associations, Mission Australia, Mercy Foundation and Homeless New South Wales and Bernardo's. During June the committee will hold a further three hearings, details of which when they are finalised will be progressively placed on the website of the inquiry. Before we commence, I will make some comments about procedural matters.

In accordance with the Legislative Council guidelines for the broadcast of proceedings, only committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this committee, the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the committee. The guidelines for the broadcast of proceedings are available on the table by the door. I remind everyone that any messages for committee members or witnesses must be delivered through the Chamber and support staff or the committee clerks. I remind everyone to please turn off your mobile phones, as they interfere with Hansard's recording of the proceedings.

MAURA CLARE BOLAND, Executive Director, Policy and Strategy, Housing NSW, 223-231 Liverpool Road, Ashfield, and

LINDA BLINKHORN, Principal Policy Analyst, Portfolio Strategy and Planning, Housing NSW, 223-231 Liverpool Road, Ashfield, and

JOHN MACMILLAN, Manager, Homelessness Unit, Housing NSW, 223-231 Liverpool Road, Ashfield, and

LEONIE RUTH KING, Executive Director, Community Housing, Housing NSW, 223-231 Liverpool Road, Ashfield, and

MARCUS RAY, Director, Legal Services Branch, Department of Planning, and

FAYE ROBERTS, Regional Director, Sydney Region East, Department of Planning, GPO Box 39, Sydney, affirmed and examined:

CHAIR: Do you want to make an opening statement?

Ms BOLAND: On behalf of all us I acknowledge the traditional owners of the land on which we meet. Both homelessness and a lack of affordable housing are problems in New South Wales as they are Australia-wide. The rate of homelessness New South Wales is 42 per 10,000 of population. The factors that can cause homelessness are complex and varied. They can include mental health issues, drug and alcohol dependency, domestic and family violence, unemployment and family breakdown. But importantly a lack of affordable rental housing can increase the risk of homelessness for low income and vulnerable households. For a growing number of people housing affordability issues have become a problem. In the inner ring of Sydney more than 90 per cent of low-income households, and approximately 50 per cent of moderate income households renting in the private market are paying more than 30 per cent of their gross household income as housing costs. Also there are significant affordability issues for low-income households in the broader metropolitan area, as well as some in rural and regional locations.

The lack of affordable housing is a particular concern for people who are on low income because they are likely to have inadequate income left after they have paid their housing costs. That means that it is more difficult for them to meet essential costs, for example, costs of food, education and access to medical services and other health needs. The lack of affordable housing is an economic issue as well as a social welfare issue. A lack of affordable housing can have economic consequences. Where affordable housing is not located to where jobs are, we start to see issues with the economy. People who try to continue in those jobs make trade-offs: they live a long way away from their jobs and so pay high transport costs. There are costs in terms of social breakdown as those people are not retaining other community connections and there are also other trade-offs in terms of amenity and access to services. Those people may be housed affordably but may not be housed appropriately.

Homelessness and a shortage of low cost rental accommodation has been the subject of significant planning and resourcing at both the Australian Government and New South Wales Government levels. The complexity of the causes of those problems means that we really need the involvement of all levels of government, as well as the private and non-government sectors. Our submission to this inquiry has provided the committee with an overview of the broad range of initiatives that are already in place to improve affordability, increase the supply of affordable rental housing and respond to homelessness. But it is still probably worth pointing out some of the key initiatives for you.

The first is the development of the New South Wales Homelessness Action Plan. It aims to provide a strategic policy framework for action in New South Wales, and importantly, actually develop some new actions there so that we start to see an improved response to homelessness. We have got some other existing strategies in place, for example, the New South Wales Government's Community Housing Strategy, Planning for the Future which sets a target to grow community housing to 30,000 over the next 10 years, and also provides opportunities for high-performing community housing organisations to move into affordable housing provision. We have backed some of that up with some funding.

The New South Wales Government invested \$49.8 million into an Affordable Housing Innovation's Fund which was pretty much about kick starting investment in affordable housing; trying to do something about building that 30,000 target. The intent of that fund was to provide a government up-front grant to capture some private investment and to capture some other equity that was owned by other sectors, local governments, not for profits, and so on. There is also action through the joint Australia Government and State and Territories governments National Rental Affordability Scheme [NRAS] which is aiming to address the shortage of affordable rental housing by offering an incentive to build and rent houses at below market rates.

In the first round of the scheme more than 1,000 dwellings in New South Wales have received approval and, importantly, many of those have been delivered by community housing organisations and so rather than being delivered for the 10 year period envisaged by the Australian Government they will actually be delivered in perpetuity. You would also be aware that a new National Affordable Housing Agreement has been signed by Australian Government and State and Territories governments. It has an aspirational objective that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation. As well as the National Affordable Housing Agreement there are a number of other national partnership agreements that sit with that.

The total funding from the Australian Government to New South Wales under the National Affordable Housing Agreement and the related national partnerships is approximately \$4.5 billion over approximately 4½ years. Now that includes significant funding that has recently become available for social housing under the Nation Building Economic Stimulus Plan. In that plan, New South Wales is expected to receive approximately \$2 billion worth of funding which should result in approximately 6,000 new properties as well as upgrades to approximately 830 social housing properties that otherwise would not have been habitable.

I note that in your questions you ask: what do we consider to be social housing, and this is probably a good time to give a very quick overview of that. Social housing in New South Wales we consider to comprise of four main streams of housing. The first is public housing, that which is funded and delivered directly by government and through Housing NSW. The second is community housing which is subsidised up-front by government but delivered through not-for-profit housing. The third is Aboriginal housing, which is owned by the Aboriginal Housing Office, and managed by Housing NSW on behalf of the Aboriginal Housing Office. The fourth is Indigenous community housing which is generally owned by indigenous community housing organisations, 60 per cent of which are Aboriginal Land Councils and the others are just small Aboriginal community organisations. There are just under 120,000 properties in public housing. There are approximately 16,000 properties in community housing, about 4,000 Aboriginal Housing Office properties and another 4,000 Indigenous community housing organisation properties. All of those figures that I have outlined are rounded figures from the end of June 2008.

It is probably also worth noting that there are some other affordable housing properties that are owned and managed by community housing organisations and that at this stage these still number in the hundreds but we will be expecting as a result of some recent initiatives, like the NRAS approvals, that they will be increasing into the thousands in the very near future. All of that funding I guess provides us with an enormous opportunity at this stage to be able to address some of the unmet need that we know that we have in New South Wales. It particularly provides us with an opportunity to continue some of the partnership arrangements that we have put in place in recent times, for example, building much greater partnerships with community housing organisations so that they can invest some funding that they have borrowed or some equity that they can garner that it is not possible for the State Government to access.

It is also a fantastic opportunity to be able to use the additional properties to work with the Homelessness Action Plan so that we can strengthen the links between housing and support and we get better housing outcomes for people who are homeless. It is probably worth noting that constructing new homes, the new 6,000 homes under the Nation Building Plan is just the first step. As a result of the initiatives in the Nation Building Plan, and particularly as a result of the management by many of those properties by community housing organisations, we are expecting to not just see those initial 6,000 properties, but also potentially a second wave of investment as a result of community housing providers having a steadier stream of income and, in turn, being able to service higher levels of debt so that we can greater leverage from the investment that has happened.

I will finish by commenting on the considerable work that is already underway to address homelessness and housing affordability. All of those issues make this inquiry both timely and highly relevant to ongoing program development. The opportunity to increase the supply of social housing under the Nation Building

Economic Stimulus Plan, the State Government's focus on the community housing sector and the expanded role it can play in affordable housing provision, and the development of the Homelessness Action Plan for New South Wales, mean that we are already well placed to address a housing affordability problem. Due to the range of issues that are being considered in the inquiry, I have brought three colleagues from Housing NSW with me today. Leonie King is the Executive Director for Community Housing. The Community Housing Sector is the focus of the New South Wales Government's specific strategies to increase the supply of affordable rental housing but Leonie brings with her also experience in affordable housing planning and related investment areas.

I have John MacMillan, who is the manager of Housing New South Wales' homelessness unit and one of the driving forces behind the homelessness action plan, and Linda Blinkhorn, who is a principle policy officer in portfolio strategy in planning and well aware of the demands that New South Wales Planning responds to. I am also pleased to have Marcus Ray and Faye Roberts from the Department of Planning appearing at the same time, given the importance of Planning in addressing housing affordability and also in facilitating the availability of low-cost rental housing.

Dr JOHN KAYE: Thank you for a comprehensive submission and an excellent introduction. I take you to page 51 of your submission, the whole-of-government submission, in respect of rent reform. On page 51 it states that about \$23 million per year in additional revenue is being taken from the residents of public housing and community housing, social housing—

The Hon. TREVOR KHAN: That is not actually what it states. It talks in terms of generations of additional revenue.

Dr JOHN KAYE: Approximately \$23 million per year will be generated when the rent policies changes are fully implemented.

CHAIR: It does not have to be accurate. Dr John Kaye needs to ask his question.

Dr JOHN KAYE: With the \$23 million, that is having and will have an impact on housing tenants when it is fully implemented. What steps have you taken to assess that impact? Are there any tenants who will actually be significantly worse off because of the so-called rent reform?

Ms BOLAND: It is probably worth clarifying up front that the \$23 million comes from a mixture of funding from individual households paying additional rent but also predominantly from the Commonwealth Government through the form of Commonwealth rent assistance. The majority of the \$23 million in fact is received from the Commonwealth rent assistance and I can provide you with precise figures after. A smaller amount is contributed by individual households. A number of steps have been taken to put in place to protect that. I guess the first thing to do is to note that we are talking about community housing households rather than broader social housing households. As a result of these changes in rent, community housing households will have the equivalent after-housing income to those already in public housing. No household will be worse off than anybody in public housing. Everybody will have an equivalent after-housing income. So there is a protection of affordability there.

Dr JOHN KAYE: Can I clarify that? You are saying that if you take a household before the rent reform proposals come in and the same household afterwards, not one single household will have less income after they have paid rent and after they have—

Ms BOLAND: To clarify what I was saying, if I take an equivalent household in community housing to one in public housing those households, as a result of these reforms, will have an equivalent after-housing income. So that is probably the first thing to note.

Dr JOHN KAYE: But some of them will be worse off.

Ms BOLAND: Some of them will see a lessening of the income that they have available to them.

Dr JOHN KAYE: That is also known as worse off.

Ms KING: It is worth noting that it is being capped at \$10.

Ms BOLAND: It will absolutely mean some hardships for some households. When we are talking about people who are on low and very low incomes, any worsening of their after-housing income will make a hardship. That has absolutely been considered in it. There are two measures that have been put in place to ameliorate that to make that a bit easier to manage. As Ms King mentioned, that we have introduced a \$10 cap so that no household will receive an increase of more than \$10 a week in any given year. For some households—in fact, for the vast majority of households—that means that in fact they will not have an increase of more than \$10 a week. So that captures many of the households in the first year. For households that do have increases of higher than that, every subsequent year will also have an increase of no more than \$10. So there has been an attempt to try to phase in the rent reform to make it a little bit easier for that household to manage.

We also recognise though that that does not mean that some households still will not experience difficulty in doing that. We have worked with community housing providers so that they have been able to put in place hardship provisions that mean that if any household experiences particular or extreme hardship as a result of that then they are able to vary those arrangements. They can either introduce them slower, introduce them at a lower level or provide people with greater notice to be able to adjust their household income around that.

Dr JOHN KAYE: So the \$23 million per year in additional revenue is once all those phasing in provisions have worked their way through the system.

Ms BOLAND: That is correct.

Dr JOHN KAYE: So once all the increases have been fully paid there will be \$23 million a year, which currently is in the pockets of residents of community housing and public housing, which will not be in their pockets at the end of that.

Ms BOLAND: To bring you back to my first clarification, we are not talking about public housing tenants in any way in this; we are only talking about community housing tenants. We are just seeing equivalent rents being paid by public and community housing tenants as a result of this reform. Until this time community housing tenants had a bit of a quirk where Commonwealth rent assistance was being treated as income rather than as rent assistance. These reforms have been changing the treatment of Commonwealth rent assistance so it is now viewed as rent assistance. So we are seeing an equivalisation—if that is a word—of public and community housing rents. That is the first one. The second is to reiterate that most of the \$23 million actually comes from the Commonwealth in the form of Commonwealth rent assistance so it is actually not coming from the pockets of anybody who is living in social housing at the moment. This is a reform that increases the amount of funding that New South Wales receives from the Commonwealth Government.

Dr JOHN KAYE: Am I correct in saying that in the United Kingdom for the majority of public and community housing or housing association residents the rent they pay is not so strongly income dependent as it is in Australia or in New South Wales, I should say?

Ms BOLAND: No, in fact you could say Australia. Australia uses a system of income-related rents predominantly for social housing. In general, housing costs are fixed at 25 per cent of income, and that is pretty much the case across Australia. That means that as income increases rents also increase; as income decreases, rents decrease. The intent of that is to provide for affordability for individual households, and it does that reasonably successfully, so we see very, very low levels of housing stress in people who are in social housing. What it does as well though is penalise people who may earn more so it has the potential to act as a workforce disincentive. In New South Wales we have a couple of other forms of rent also in place, largely through community housing organisations and for the use of affordable housing. So we have discounted market rents—74.9 per cent of market rents—in place in a number of affordable housing developments, which provides for relative affordability in comparison to the market rather than absolute affordability.

You are right, this contrasts with the system in the United Kingdom where largely individuals are provided with what they call a housing benefit. In the case of very low income people the housing benefit provides for the entire cost of rent so that a household has to pay nothing. Obviously their income support is adjusted around that fact. There are some significant advantages to such a form—

Dr JOHN KAYE: Before you go on to the advantages, just so I get this right in my head, effectively from the point of view of the tenant it probably does not make much difference therefore in terms of their after-rent income, whether you get paid a variable housing benefit or whether you pay a variable rent. If that

variability is the same it would not make any difference. The only difference it makes is how much money ends up in the pockets of the housing providers.

Ms BOLAND: I think it makes a couple of differences. There are a number of differences. For the consumer it provides potentially greater portability so that somebody who is living in or who is receiving a housing benefit can move more indiscriminately I guess between housing association and private market housing. Potentially they can move closer to where jobs are, and their affordability is protected through all of that. There are also some potential disadvantages I guess there. One of those has been a significant blow-out in costs for the United Kingdom Government as a result of the housing benefit and its uncapped nature. There have been quite high costs imposed on Government. The other is that there are some difficulties accessing good private rental in the United Kingdom. In general, the private rental in the United Kingdom is in poorer condition than social housing in the United Kingdom so that makes it difficult for people to still access housing that is safe, secure, appropriate to their needs.

The other advantage though that the housing benefit does is gives housing associations a steady and secure stream of income. They know exactly how much money they will be receiving, and they receive it sometimes a little bit late because there are some delays in the way it is appropriated, but they do have a very steady stream of income, and that steady stream of income has been one of the elements that has improved their ability to borrow funding and invest in further social housing.

Dr JOHN KAYE: Is there a midway path between those two, where you get the advantages of the secure income stream to the housing providers and not suffer the disadvantages to both the tenant and the Government?

Ms BOLAND: That is a very interesting question. There are a number of widely recognised forms of constructing rent. They include cost rents, income-related rents, completely covering the housing costs and so on. I guess in Australia, given the arrangements we have with the Commonwealth Government, the steps we have taken in New South Wales to maximise the Commonwealth rent assistance payments are probably the best that we could do to try to give housing associations in New South Wales a more steady and secure stream of income, which is absolutely about allowing them to borrow and invest in further housing so that we can help more and more people.

That said, though, one of the reforms that has been proposed underneath the national building economic stimulus plan is to review rents to look at whether there are alternative rent models that may be appropriate, for example, considering amenity and so on. There is also work underway at the Commonwealth level to review Commonwealth rent assistance to see how that paid, whether it is adequate and so on.

Dr JOHN KAYE: I want you to indulge my ignorance of the community housing sector. I was interested in a distinction that may have been made between private and non-government—private in the sense of housing providers who are there for profit versus non-government being the housing providers who are there as associations. We had a presentation from somebody who is active in the housing associations in the United Kingdom, which seemed to me to be largely owned by the tenants, whereas it does not seem to be the same sense of tenant control in New South Wales. Is that correct?

Ms BOLAND: I would have said not, actually. I think there is a strong sense of tenant involvement in the community housing sector in New South Wales. The community housing sector in New South Wales has a very strong grassroots origin. Certainly it was seeded by Government funding but it has been very close to its communities. Depending on how you count them, there are between 300 and 500 community housing organisations in New South Wales, of which possibly 35 are significant housing associations. They are the ones for whom housing is their predominant business. Most of those housing associations would still have a tenant board member and possibly two tenant board members. They have strong and active tenant committees. They carry out a range of tenant-focussed activities—for example, social activities—but also planning days, things where they can capture the consumer voice in their operation. I think that it has been partly that level of engagement that has led to the very high levels of tenant satisfaction in New South Wales in community housing.

If my numbers are correct, about 87 per cent of tenants in community housing say that they are satisfied, or very satisfied, with the housing that they receive. That is a pretty phenomenal result, it is the best result in Australia for community housing. I think we would probably all agree that that is significantly higher than we could expect from any private rental situation.

Dr JOHN KAYE: How does that compare to public housing in New South Wales?

Ms BOLAND: The community housing figures are higher than public housing in New South Wales, but we also partly expect that because we have quite small organisations and we see greater degrees of interaction between the organisation and people. The largest community housing organisation in New South Wales at the moment would sit at 2,000.

Ms KING: Closer to 3,000.

Ms BOLAND: Or 3,000, and comparison with public housing, which has, as I said, about 120,000 households. We see quite significant differences in scale. As a result there is a greater degree of interaction. The other factor contributing to lower levels of satisfaction in public housing has been some of the historic maintenance backlog that public housing has experienced as a result of previous underfunding from the Commonwealth Government.

The Hon. TREVOR KHAN: Sorry, from the Commonwealth?

Ms BOLAND: From the Commonwealth Government, yes. An erosion of funding over time.

Dr JOHN KAYE: The Commonwealth-State Housing Agreement collapsed.

Ms BOLAND: Which is the predominant source of funding for social housing, along with rents. That historic maintenance backlog has contributed. Basically one of the significant predictors of how happy someone is in their home is how happy they are with the maintenance they have received. The other one is how happy they are with the interaction. Maintenance has contributed to lower satisfaction levels, but there are also very concrete steps taken to address that maintenance backlog. So we should expect to see increases in public housing satisfaction.

The Hon. MARIE FICARRA: Previously you mentioned growing partnerships with high performing community housing groups. How do you assess that? How do you evaluate who is high performing and who is not?

Ms BOLAND: There are a number of ways. One is by the base systems that have been in place. Previously, up to now, Housing New South Wales has operated an administratively based performance base registration system. It was a precursor to a legislatively based regulation system. We will be introducing a legislatively based regulation system shortly. Both of them have some common principles; they basically look at what you have to do to be a good performing organisation. It looks at areas like how well are our tenants managed? How well are the assets managed? Are decisions made in a fair, equitable, open and transparent way? It looks at governance. It asks: how well are you governed as an organisation? How does your board operate? Do you operate in a fully transparent and accountable way? Do you respond to your stakeholders?

It also looks at how well you perform in a financial sense. Are your investments sound? Are you making adequate provisions for maintenance so that you can pay for your maintenance as it arises? That is the base system. With the introduction of a legislatively based regulatory system it will preserve that outcomes focus, but will also tier so that there are a number of different classes of registration. While the outcomes are similar for each of the classes the level that you have to perform to differs between the classes. The top class is called "growth providers", which will have to meet higher standards, particularly in their financial investment. They will need to demonstrate that they have very sound financial management in place. They will need to have long-term projections of their finances, so that they can understand the impact of all of their future investments.

If an organisation is able to perform to the standard required for a growth provider that is one way that we will know that it is a high-performing organisation. The steps we have taken to date to identify growth providers are that we have used the administratively based performance-based regulatory system and pulled out the organisations that we were calling A-grade performers, the ones that actually met each of those outcomes to a high standard. We then looked at the willingness and ability of those organisations to invest. Through a competitive expression of interest we selected a number of growth providers ahead of that process of the legislatively based regulatory system.

The Hon. MARIE FICARRA: Much has been said about the United Kingdom system. The Committee has seen a presentation about it. Historically, public housing has developed in different ways in the United Kingdom. Is there anything about the United Kingdom system or any overseas public housing system that is of value and should be investigated in New South Wales, or that this Committee should look at?

Ms BOLAND: Absolutely. We have looked to the United Kingdom for some of our innovation. It is worth noting that the UK system is quite different. That housing benefit is a key difference and it is the responsibility of their national government, and it does change some of the dynamics. We have looked very closely at the regulatory system that they have had in place and pulled from it what we think is the best. The same with the regulatory system in the Scottish Government; we have pulled that. We used both sets of legislation in deriving the New South Wales legislation.

Those kinds of arrangements we have certainly drawn on heavily and they were of absolute value to us. It is probably worth noting that the UK is 20, or possibly 25, years ahead of New South Wales. Even so, if we go back there, probably to pre-Thatcher—and the Committee may have had this discussion already—the housing association sector was much smaller, and certainly was not borrowing funding and doing the kinds of things we would love to do here. Some of the changes that were made, for example the introduction of strong regulation, basically constituting a vote of confidence by the Government that it viewed the housing association sector as having a long-term future, was something we have learnt from here. That is one of the things we hope to get from the regulation that we are putting in place for community housing here.

Some of the models of housing provision in the UK are very interesting—some of the ones that arise as a result of partnerships, and certainly some of the variations to local planning arrangements that lead to mixed developments with private-public, and some intermediate housing product developments as well. So we end up with complexes where there is private housing, housing association managed social housing, and also housing association managed shared equity. They are really interesting; they are quite illuminating as well because they are absolute demonstrations of mixed communities and of developers being interested in delivering those kinds of things.

In the past few years the Edinburgh local government has introduced quite high levels of inclusion in every zoning. There were a lot of objections by many of the developers upfront, but five years into it everyone had adjusted around it and they felt there were reductions in the base of the sale value of land and the developer margins had also diminished somewhat, but there was a lot more housing being delivered as a result. I guess there were some helpful things there. Broadening it out, there are also many models of homeless housing provision in the UK and Northern America that are absolutely worth copying.

The Hon. MARIE FICARRA: They are being reviewed constantly, and there are aspects that could work here?

Ms BOLAND: Both within Housing New South Wales and the Australasian Housing Urban Research Institute [AHURI], which does some fantastic research that we draw on heavily.

The Hon. TREVOR KHAN: I ask you all to refer to page 4 of the whole of government submission, particularly the third paragraph. Would you agree that part of the statement made in that submission is that over the past five years there has been a reduction in affordable housing to low- and moderate-income households of about 30,000 properties. Is that correct?

Ms BOLAND: Well, yes.

The Hon. TREVOR KHAN: I am not trying to trick you.

Ms BOLAND: No, that is okay.

The Hon. TREVOR KHAN: It seems to me that it sticks out like the proverbial, but there has been a reduction in low- and moderate-income affordable housing of 30,000 over five years and allowing for 2.5 persons per household I calculate that to be about 75,000 people, or thereabouts, who are no longer able to get affordable housing in the Sydney metropolitan area. Is that the general rough track?

Ms BOLAND: If your maths is correct, that is the general track.

The Hon. TREVOR KHAN: Am I wrong?

Ms BOLAND: No.

The Hon. TREVOR KHAN: So, 30,000 times 2.5 gives 75,000. Would your department be able to provide the figures for changes in the affordable housing stock for not only five years ago but also for 10 years ago? What has been the adjustment over that period?

Ms BLINKHORN: Yes.

The Hon. TREVOR KHAN: And Ms Blinkhorn says "Yes".

Ms BOLAND: And she is absolutely the master of this. If she says "Yes", the answer is "Yes".

The Hon. TREVOR KHAN: Is it correct that between 10 and five years there will also have been a reduction in the amount of affordable low- and middle-income rental housing?

Ms BLINKHORN: The figures do change.

The Hon. TREVOR KHAN: I agree.

Ms BLINKHORN: Depending on what data sources we use. For the five-yearly figures we use the census data and in between that we can look at the markets and the amount of affordable private rental accommodation based on some indexing. It does vary during those periods.

The Hon. TREVOR KHAN: Do you understand that what I am looking for is a base of 10 years ago with an adjustment for five years ago, so we can see what the performance has been over a decade?

Ms BLINKHORN: Yes.

The Hon. TREVOR KHAN: I take it that would not require you to use anything other than census material, is that correct?

Ms BLINKHORN: Yes.

The Hon. TREVOR KHAN: It appears to show, according to the material on page 4, that not only has there been an overall reduction in affordable housing but in terms of inner- and middle-ring affordable housing, if I can describe it that way, the percentage reduction has been greater in that inner- and middle-ring as compared to the outer ring?

Ms BOLAND: Yes.

The Hon. TREVOR KHAN: Are you able to tell me whether that reduction in affordable housing in the inner- and middle-rings has decreased not only over the past five years but also over the past 10 years?

The Hon. GREG DONNELLY: Point of order: I do not recall at the start of proceedings that the witnesses were informed that they are entitled to take questions on notice. The Hon. Trevor Khan is asking some very specific questions relating to statistics. The witnesses probably need to be reminded of that.

The Hon. TREVOR KHAN: I do not believe that that is a point of order.

CHAIR: The Hon. Greg Donnelly has raised an important procedural issue. The Committee was remiss to not have advised that if there is difficulty in obtaining an exact answer—

The Hon. TREVOR KHAN: Chair, I was not asking for an exact answer.

CHAIR: —the question can be taken on notice. The Committee thanks the witnesses for their attendance today in assisting the Committee to make its recommendations. Witnesses can take time to answer the questions, and do not have to answer "Yes" or "No".

The Hon. TREVOR KHAN: I was not seeking a "Yes" or "No".

CHAIR: I am not suggesting that you were.

The Hon. TREVOR KHAN: How have you gone in terms of an answer?

Ms BOLAND: We would have to take it on notice.

The Hon. TREVOR KHAN: Your position is what, Executive Director, of the Policy and Strategy Division, and you cannot tell me what the change has been over 10 years?

The Hon. GREG DONNELLY: Point of order: I probably do not need to go into the reasons why such a response is quite insulting to the witness. The witnesses have made themselves available to provide as much information as they can to supplement their detailed submission. Quite frankly, the last statement by the Hon. Trevor Khan is out of order.

Ms BOLAND: If you are asking the question, "Has there been a reduction in affordability for low- and moderate-income households as a general trend", the answer is, "Absolutely, yes". However, I cannot give specific numbers over the last 10 years, because I do not have access to the 10-year figures with me. I cannot definitely answer the extent or how much. We need to take up Linda Blinkhorn's point that it is somewhat cyclical, there are periods when a rental market is relatively more affordable and so we see improvements in levels of affordability. At the moment we have lesser affordability in the rental market and we have a tight rental market, which means that the market is relatively less affordable. But it is partly a cyclical thing that depends on availability in the market, on the prevailing economic conditions, on the relative affordability of home ownership and various other factors as well. That said—

Dr JOHN KAYE: Is there an underlying—

Ms BOLAND: —as I opened, there has been a trend towards a reduced affordability for low- and moderate- income households in this area.

The Hon. TREVOR KHAN: Will you agree that that trend in the lack of affordability of rental housing has been particularly marked in the inner- and middle-rings, as identified on the notes on page 4?

Ms BOLAND: Yes, I would agree with that.

The Hon. TREVOR KHAN: So, the conclusion to be drawn regarding affordable rental housing is that those on low- and middle- incomes are being forced out to the peripheries of the metropolitan area?

Ms BOLAND: I think in my opening statement I talked about people making trade-offs. Some people will make trade-offs in a way that allows them to stay in the inner- and middle-ring suburbs, but they will be paying an unaffordable rent. So they will put themselves in housing stress. Some people will make trade-offs that see themselves move to outer parts of Sydney and, indeed, to the Central Coast and they will commute. Their trade-offs will be that they will pay higher transport costs and they will be away from home for longer periods of time. Others will move and try to access employment closer to places that are affordable to live. So, different households make those trade-offs in different ways.

The Hon. TREVOR KHAN: But in a sense the economic factors you describe create an inducement to move further away from the central business district? That has got to be the case, does it not? If you make it more expensive to live there, they are going to have a push away?

Ms BOLAND: It is one factor that will lead to some households making choices about moving away from those areas, yes.

The Hon. TREVOR KHAN: I refer you to the final paragraph on page 12, particularly the first sentence. I recognise that this is a whole-of-government submission, but can you identify for me the steps the State Government is taking to improve transport availability to the outer metropolitan areas of Sydney?

Ms BOLAND: I am afraid that is not a Housing issue. I will have to refer to my colleagues in Planning to see whether they can answer possibly with reference to the Metro strategy and the regional strategies.

Mr RAY: Obviously, the Metro strategy—the Government brought that in in 2005—had various plans for transport, not only rail transport but also upgrades of road transport, bus transport, transitways, a whole range of—

The Hon. TREVOR KHAN: Mr Ray, could I interrupt you. I do not want to break your train of thought, but are you able to identify the proposals for improved rail transport to outer metropolitan areas that the 2005 strategy plan is based upon?

Mr RAY: The plan was based upon the north west rail link and the south west rail link. The south west rail link has been deferred, as has the north west rail link. Certainly, those two matters were as a result of the mini-budget, that as well there were asked transitways, the North West Transitway has been completed; there are road upgrades; the duplication of the Richmond line is still proceeding; stage one of the south west rail link, the Glenfield interchange, is still proceeding, that has not been deferred; and as part of the broad planning for the area we obviously have to take into account the changes that were made by the Government in the mini-budget. The Minister for Planning has announced a review of planning for the north-west and south-west areas of Sydney. That review is being undertaken by independent consultants. Once that report is delivered it will be presented to Government and we will be looking at the impact of those decisions from the mini-budget on planning in the north-west and south-west sectors.

The Hon. TREVOR KHAN: The bottom line is that, for instance, regarding the Richmond line, the duplication is not proceeding to the same extent as originally proposed, is it?

CHAIR: This questioning is rather far-reaching. I am not suggesting that you do not ask the question, but you are being a little far-reaching, are you not?

The Hon. TREVOR KHAN: No, I am not. I am asking the question.

CHAIR: We are being very lenient. I believe the question is out of order, but I will allow it.

Mr RAY: The time frame is different, yes. The time frame is different on the Richmond upgrade, but certainly the first stage of that upgrade is to be completed according to the original time frame.

The Hon. TREVOR KHAN: In essence, the effect of the mini-budget is to put the north-west and south-west rail lines on the never-never?

CHAIR: That is not part of the Committee's terms of reference.

The Hon. TREVOR KHAN: It arises directly out of the submission.

CHAIR: Do you have any more questions?

The Hon. TREVOR KHAN: It arises directly out of the submission.

CHAIR: Do you have any more questions?

The Hon. TREVOR KHAN: Are you ruling the question out of order?

CHAIR: Yes.

The Hon. TREVOR KHAN: Then the Committee should resolve into a deliberative meeting. I dissent from the ruling.

CHAIR: In that case, rather than go through the exercise of clearing the room, and as you believe it is such an important question, I ask those present, who are here to help us, whether they wish to answer the question?

The Hon. GREG DONNELLY: Before that happens, Mr Chair, I seek clarification. The member's reference in what I thought was a leading question was to the term "never-never". The witnesses are entitled to know the definition of "never-never" before they answer the question.

Mr RAY: I cannot speak for the Government about those decisions. The Department of Planning and other agencies, including the Department of Transport, we provide advice to government about these matters. We are very keen that there is a linkage between the appropriate infrastructure, not just rail and transport infrastructure but water, sewerage, the whole range of infrastructure that people need for new communities on the outskirts of Sydney. We are very aware of that. We provide that advice, but as to those decisions, they are for government and that decision was made.

The Hon. MICHAEL VEITCH: The submission and some of your responses draw on data and statistical evidence. Can the Committee have a degree of faith about the surety of those numbers? Should we be concerned about how the data or statistics are collected?

Ms BOLAND: I would have to ask Linda to answer that one.

Ms BLINKHORN: I am not sure what you are asking?

The Hon. MICHAEL VEITCH: This leads into a number of other questions I have, but the main issue for me is having faith in the numbers for someone else reading these reports. There are many submissions where many statistics have been quoted; can I trust the numbers and also that the definitions used to collect the data are consistent across the country?

Ms BOLAND: As a general question, that is actually a really hard one for me to answer. We have faith in these numbers or we would not have put these numbers into a submission of such weight. So yes, we have confidence in our numbers. The numbers that are produced internally go through a rigorous review process. We have experts that are across it. We rely on well-mandated sources like the census, and we are able to get lower levels of information underneath that. That said though, I am also conscious that there are some commonly accepted forms of data collection, for example, through the report to government services, the Productivity Commission report, where, whilst there are common definitions, they are also interpreted slightly differently between jurisdictions. So, I cannot give you a definitive answer that these numbers have a consistent definition across the country. All I can do is say that we have faith in these numbers or we would not have included them in the submission.

The Hon. MICHAEL VEITCH: For many planners, whether they are macro planners or town planners, councils use numbers such as these to assist in developing their plans. That is why I wanted to make sure about the numbers. My question actually leads to the Government's role in supporting or even encouraging low-cost rental accommodation. Do you work with local government in that process?

Ms BOLAND: Yes we do.

The Hon. MICHAEL VEITCH: In your submission you refer to a couple of places. What is the procedure for engaging local government in assisting its town planner in local environment plans around low-cost rental accommodation?

Ms BOLAND: Leonie can answer this question.

Ms KING: In terms of the role of Housing New South Wales, we have quite an active engagement with local government around providing input into the local environmental plans and other planning instruments, and also providing submissions around the provision of low-cost housing in local government areas. That is a very active procedure. In fact, that is a large part of Linda's day-to-day work. In terms of relationships or working with council more broadly, I will make some comments and then I might hand over to Planning, if they want to add to it. We have a Centre for Affordable Housing in Housing New South Wales that has built active relationships with local government that seeks to provide a lot of support to local government. So, for example, they have developed a local government housing kit, which is an online information source, and a set of tools that help local government prepare local housing strategies. The intent of focused localised housing strategies will also of course be looking at a mix of housing, including low-cost housing.

The centre also works with local government. It works with them if they are looking to use planning mechanisms such as voluntary planning agreements to deliver affordable housing. The centre has developed a financial modelling tool to assist in the calculation of density bonuses that relate to voluntary planning agreements for affordable housing, and also works with them on things such as pro forma voluntary planning

agreements. So it is really about, I guess, support advocacy services for local government. In terms of partnerships more broadly, there are quite active partnerships between local government and community housing providers—a long-standing relationship. So, for example, through a number of the programs that Maura mentioned in her opening, what we have seen is partnerships come together between local councils and community housing providers where they will access grant funding as effectively seed funding for a development. Local government might provide some land and what they will do is build an affordable housing development and effectively split the management. It is not uncommon sometimes for community housing providers to manage all of that affordable housing, but sometimes local government will seek to manage a small component as well, potentially for key worker housing to address specific key worker housing requirements in the local government area. Did Planning want to comment at all on local government and affordable housing?

Ms ROBERTS: I think I would just like to add that our involvement is through our strategic planning through the metropolitan strategy and regional strategies outside Sydney. We have set overall housing targets and we work with local government to ensure that each council area is able to provide a zoned capacity to accommodate those housing targets. At the moment we are working to 2031. We would look for a mix of housing in each of those LGAs. We know that certain councils in our areas are more concerned about the supply of affordable and low-cost rental housing and social housing, and where appropriate we work with them to see how we can help them to deliver it. I would have to say that across the metro area the need obviously varies from place to place and the opportunity to adjust the planning controls to deliver affordable housing bonuses or whatever obviously varies with land economics and circumstances.

CHAIR: Can we get some examples of those councils?

Mr RAY: Yes, we can give you some examples.

The Hon. MICHAEL VEITCH: You mentioned the metro. I am from the bush, so I want to talk about rural issues. One of our terms of reference relates to key worker accommodation. Page 28 of the whole-of-government submission refers to caravan parks and cabin parks. Can you provide the Committee with information about what role caravan parks and cabin parks play in low-cost rental accommodation, particularly in rural areas?

Ms KING: Again I might open and then I might hand to planning. Caravan parks, or manufactured home estates or residential parks, are obviously one of the key mechanisms in the supply of low-cost accommodation, and it is obviously constantly a trade-off in terms of private owners or operators of caravan parks regarding whether they want to continue to operate that as a caravan park.

Various forms of governance are underway or are in the process of being done. For example, there is a caravan park closure protocol. Where a caravan park is intending to close, there is a protocol around how residents are supported and assisted to find alternative low-cost accommodation. Certainly Housing New South Wales is very active in this respect. If we are advised that a caravan park looks like it will close, we are very proactive in terms of going out to talk to residents and giving them information about their alternatives.

There is some work underway, as I understand it, that is an interagency review of residential parks and manufactured home estates, looking at mechanisms to support the retention of those caravan parks. I think it is also fair to say that in terms of the Centre for Affordable Housing, under the auspices of Housing New South Wales, it spends a fair amount of time responding to specific requests from local councils where they are either looking at what their options are to retain a caravan park or looking at manufactured home estates. For example, sometimes you get residents saying, "How can we make this work for us? How can we work up a scheme to be able to purchase our caravans and acquire them for long-term occupation?" I might hand over to planning to comment a little more specifically about the planning mechanisms.

Ms ROBERTS: I am personally not able to add a lot to that, but if you have any further questions we can take them on notice. We do have State policies that relate to both manufactured home estates and caravan parks. As Ms King says, we are doing an interagency review of both of those policies at the moment.

My understanding is that caravan parks have been declining in numbers over the last 10 years or so and that a lot of that pressure has come from opportunities for redevelopment in those locations. The housing density has increased, but it is permanent housing and not necessarily low-cost. The caravan parks are also under pressure from tourism, and that is another major issue.

There are also issues about tenure and leasing, and how tenants and prospective buyers are advantaged or disadvantaged by the financing and so on of buying, in particular, manufactured home estates because they tend to lose value very quickly. It is a form of home tenure that can be very disadvantageous. If you have specific questions, we can take them on notice and look at the issue further.

The Hon. MICHAEL VEITCH: Do the manufactured home estates and caravan and cabin parks have a role to play in the provision of low-cost rental accommodation?

Ms KING: I think there are a range of forms of accommodation that have a role to play, and that is why this is a fairly complex area. You have to look at the range of responses. When we talk about social housing, and then we talk about private rental, there are forms of subsidised private rental that are an important component of that continuum of housing supply. Caravan parks are part of that, but you cannot always stop progress. If a private operator can make a profit by selling land for development, I do not think there is anything necessarily the Government can do, other than consider the incentives that are there for them to retain operation as a caravan park.

Boarding houses fall into a not dissimilar category. Again, it is about the Government having to balance things like regulation and protection of residents' rights in alternative forms of low-cost accommodation with what are the sorts of incentives to encourage operators to stay in that business. It is a fairly complex issue.

The Hon. MICHAEL VEITCH: My last question relates to local government's role. A lot of the caravan parks and cabin parks in rural areas are owned by the local council. What role does the council play as an owner-provider of low-cost rental accommodation in New South Wales?

Ms KING: I can comment that we do have local government providing affordable housing, but it is in relatively small numbers. But where it does tend to occur is in rural and regional locations where there is not an alternative supply of either social housing or affordable private rental. It tends to be local government addressing a gap in the market; that tends to be where they operate. But I do not have a broad picture of that.

CHAIR: Are you able to take the question on notice and get that information for us?

The Hon. MICHAEL VEITCH: Are there any examples you can provide us on notice?

Ms KING: Yes, I am sure we can find some examples and come back to you.

CHAIR: Or who we should be asking as well as yourself?

Ms KING: We can certainly talk to the Department of Local Government in that process as well.

(Short adjournment)

CHAIR: Can I ask a question that goes to the issue of modelling? Has been any modelling that takes into account the current stocks in regard to numbers, geography, management, maintenance, governance, investment, key worker definition and all those issues that you have mentioned before, and taking into consideration issues such as the education department's housing stocks and the defence department's housing stocks and how they operate?

Ms BOLAND: The short answer would be no. The longer answer would be certainly elements of that have been done; for example, Housing NSW has a quite comprehensive portfolio strategy. The portfolio strategy was developed by looking at housing markets across the State. Sometimes housing markets are quite small areas; for example, in some of the inner ring suburbs we would have relatively small housing markets, and there are other times where the housing market might be bigger. But we assess housing market data; we look at things like what is the level of affordability in each of the markets, what is the extent to which households are able to access affordable private rental or home ownership, what is the substitute ability of different products, what is the level of social housing in those locations? What is the housing gap after social housing has been taken into account?

That kind of planning, coupled then with opportunities that are offered by things like the Metropolitan Strategy and regional strategies, come together to allow Housing NSW to plan where if it is in a position to acquire extra properties where it would target its efforts in acquiring extra properties and where it would choose

not to. So, for example, with the additional 6,000 properties that are coming through for the Nation Building and Economic Stimulus Package, we have used our existing modelling to work out where we would be targeting these extra properties, and, surprisingly, most of the houses would go into metropolitan Sydney because the greatest unmet need, which we have talked about already, is in metropolitan Sydney; it has the highest level of affordability. So we would be expecting that somewhere in the order of two-thirds to three-quarters of those properties might end up in Sydney. Others would end up in regional centres; again, conscious that all of those properties need to be close to transport links, to schools, to services—for example, hospitals. So we would be only choosing properties that are located close to those hubs, but we would be looking at the North Coast. That is an area where housing affordability has been diminishing and where there are relatively lower levels of social housing. So we would be looking specifically, for example, to that location to try and boost it.

There are some other major regional centres that have good access to services that we would also be looking at doing. That is the kind of modelling that we have done. I think that goes some way towards answering your question.

The Hon. GREG DONNELLY: Can I take you to your submission, and specifically point 4, which commences on page 59 and goes over to page 61 and about a quarter of page 62? This part of the report deals with the subject of getting barriers to growth in low-cost rental housing. What you do, I think quite well, is lay out three headings and then the third heading is broken down into three sub-points. First of all, with the three headings, which are privately funded low-cost rental housing, low-cost rental housing and support to respond to homelessness and, over the page, growth in the community housing sector, out of those three are there any particular ones that you would like to give some emphasis to, and to the extent that you would like to do so, would you like to elaborate on the reasons why you think it is particularly important for us to have a look at that?

Ms BOLAND: I might just take a second to see if we can confer on this. If it is reasonable we might elaborate slightly on each of them.

The Hon. GREG DONNELLY: I am happy if you do that. I was wondering whether there were any of those three that you would direct us to have a particular look at. But I am quite happy for you to make some comment on each of the three.

Ms BOLAND: I think if we are talking about an effective response to people who are experiencing difficulties as a result of being able to access affordable housing, we are talking about a full spectrum and it is probably worth referring to the spectrum of the continuum of need Housing NSW conceptualises it at. We talk in our own responses about a continuum of need, from people who are homeless and where they are homeless or cycling in and out of homelessness, through people who need access to support and housing together, through people who have affordability issues but may still require social housing, to people who merely have affordability issues and need to be able to access affordable rental housing in myriad forms, whether it is some kind of subsidised affordable rental or private rental, through to people who need assistance to be able to access home ownership. I guess there is that full spectrum of need.

It is important that we have a full array of solutions in responding to that spectrum of need, and I guess that is partly what we have tried to reflect here. Had we been having this discussion six months ago or a year ago I would probably have opened with we need to see a significant redress of a lack of historic investment by the Commonwealth Government in social housing. It is probably worth making the point that social housing historically had operated around 6 per cent of the market in Australia, and it has fallen away to somewhere around 5 per cent of the market. So we have seen an absolute loss of numbers of social housing, and we have also seen a relative loss of numbers of social housing. So, significant investment is needed in that area. That said, as I opened, we have seen \$4.5 million going into social housing from the current Commonwealth Government.

The Hon. TREVOR KHAN: \$4.5 million?

Ms BOLAND: I am sorry, \$4.5 billion; thank you for the correction. So we have seen some indexation of the National Affordable Housing base funding. Previously with the Commonwealth-State housing agreement we have seen an absolute erosion of dollars, particularly as we were required to provide productivity dividends. So we have seen some indexation; we have seen some supplementary funding provided through the Social Housing National Partnership, which is in the order of \$130 million; we have seen the additional \$2 billion coming through the Nation Building and Economic Stimulus Package. So we are seeing more funding. That will

not make up the gap that we have seen emerge over the past few decades, but it will go some way towards making up that gap.

If that funding would continue into the future we would be able to see some absolute increase and possibly getting social housing back to a level that made it operate better in the market. That said, though, social housing is only one part of the response, and the ability of the private market to respond with low-cost housing is also integral to it. I think in Australia we have a situation where residential investment is predominantly made by mums and dads investors. Probably any number of us around the table has private investments in property and is contributing to the rental market, and some of that may be private rental. What we do not have are these large-scale institutional investors, so we end up with highly fragmented investors, and investors who want to try and maximise their return and so choose to invest in specific kinds of property.

In other countries, particularly European countries, we see significant institutional investment. An institutional investor may be able to make some trade-offs and have some low-cost accommodation because it gives them a steady stream of income. It may not get the best capital return but it may give them that steady stream of income. So I think that is one of the big gaps there. It seems to me that that is one of the gaps that the Commonwealth Government is trying to address through the National Rental Affordability Scheme as well: to be able to get potentially some super funds or some others that have access to large amounts of funding, who may be able to wear a lower return but a steady return over time. It is the kind of investment that in the current market might actually be appealing because it is a safe investment where you would be getting a good return. While it could not compete against, for example, stocks and shares at the peak of the market, it is a very nice investment at the moment. I understand the Commonwealth is continuing to have those investments.

The National Rental Affordability Scheme was also one of the things that were attempting to plug some of the gaps. I guess the tax structures are such that they disproportionately favour sitting homeowners. Sitting homeowners have the greatest equivalent tax concession of any of the housed people because capital gains tax is foregone on ownership, so they are relatively favoured under the current tax structures. The current tax structures also favour higher cost investment in residential property but lesser lower cost investment. So some amendments to the tax system could possibly help there. The Henry tax review that is going on at the moment is one of the mechanisms, I guess, through which we might see a change in that. Did you want to add anything to privately funded low-cost housing?

Ms KING: Just very briefly to reflect on really what we are seeing is a market failure. We are seeing not very sophisticated builders and developers in the industry who focus on building a particular product and are very susceptible and responsive to the economic climate of the time and are still largely, I think, of the mindset of building three to four bedroom properties potentially on the outskirts or in the middle ring of Sydney for potentially second or third homeowners. We do not have a large investment or, in fact, a well-developed investment market, as Maura commented. The planning mechanisms and the Metropolitan Strategy, for example, tries to talk about mixed housing and mixed built form, but there are very few products on the market that encourage some of those perhaps smaller and more affordable houses.

So we have also seen, I guess, a change in builders responding to what they think is a change in consumer requirements around many more shiny fittings and marble bench tops and all of those sorts of things. I think there is an absolute gap in terms of new product innovation in the construction industry around smaller built form. So there are some innovative mechanisms certainly outside of New South Wales, for example in South Australia, where they have effectively required developers in certain locations—I think it is developmental government land—to provide 15 per cent of housing as affordable housing at a particular price point.

The interesting thing about that model is it is at a market price, but it has to be affordable. So it forces innovation in terms of that development to come up with a more affordable built product. Then there are some mechanisms and, I guess, protective efforts put in place by the equivalent of Housing NSW around assessing who gets access to that housing. There is a real lack of innovation in that market. The other constraint is there is a component around stigma. We see the National Rental Affordability Scheme targeted to tenants or of more affordable housing or moderate income earners with a model around discount to market rent. I note that in Housing NSW, certainly in the planning space where we have ever had issues in terms of getting planning approval for developments, they are not objecting so much to the development in the built form but they are objecting to the notion of who might live in those properties. So again, I think there is an impediment and constraint around that.

It differs from the UK where approximately 50 per cent of that housing is effectively social housing. When you are only talking about 6 per cent it means that you actually need something quite drastic to change if you want to see the private market respond.

Ms BOLAND: Just to touch briefly on the community housing sector, I think the view of Housing NSW and the Government via the Planning for the Future Strategy, is that community housing plays a vital role in the future, an increasing role, and a role that cannot probably be filled by Government or the private market as well. The Planning for the Future Strategy very clearly stated that the Government was looking to see a significant increase in the levels of community housing. So, some of the recent initiatives—for example, the Nation Building economic stimulus package where Minister Plibersek talked about a desire for a significant proportion of that to be managed by community housing organisations—accords with the strategy we have in place. Our intention is to ensure that those properties or an equivalent number of those properties will end up in the management of community housing organisations. The issue of ownership by community housing organisations is one on which we will be asking government for direction with a proposal around potentially considering the title of those properties being vested in community housing organisations. However, I believe that is an issue for government to consider and ultimately decide upon.

The reason the Community Housing Strategy was so strong about growing the community housing sector was the multiple differences and advantages offered by the community housing sector. No-one really likes a monopoly. Public housing in New South Wales in the past could have been seen as a monopoly. Therefore, it had some of the disadvantages of monopolies as well as some of the absolute strengths. But Housing NSW has recognised that to meet the diversity of people's needs it makes more sense to have a diverse housing response sector. Community housing has a track record in developing up some different approaches to housing, as has Housing NSW. That is not to say that Housing NSW is not innovative, because it absolutely is. But smaller providers can work quickly without some of the restrictions facing government authorities. We see the emergence of new forms of housing that are worthwhile in themselves, but also because they are possible to copy across to other parts of the system.

As I have said, we see really high levels of satisfaction, and we are interested in capitalising on that. We have watched the sector closely, so we understand the performance levels. We also think that that is worth promoting. We must also understand that they are able to borrow funds where government is not. That means they can leverage up investment. We are conscious that we would like to be able to capture that advantage through community housing organisations. We raised tax rulings in our submission. Hopefully the Henry tax review will address the issue of taxes for community housing organisations. We are very interested in ensuring that the activities of community housing organisations in Australia are seen as charitable activities, as is the case in the United Kingdom.

CHAIR: In terms of good governance, who is coordinating and modelling this diversity you are talking about? If you have all this innovation and diversity in governance and coordinating funding, how are you modelling and coordinating it?

Ms BOLAND: I can deal with that question in a couple of different ways. One of the roles of the community housing division in Housing NSW is to monitor the activities of community housing organisations. That is about providing an assurance that their performance is going well, but it is also about understanding some of the innovation that has arisen, capturing that and potentially sharing it with the rest of Housing NSW. Similarly, there are some areas where Housing NSW has a really well developed body of information. For example, Housing NSW has a highly developed expertise in its approach to maintenance that we are looking to share with community housing organisations. There is ongoing dialogue about sharing information.

With regard to community housing organisation funding and leveraging, there has been a couple of approaches to date. One is the Affordable Housing Innovations Fund, which had about \$50 million worth of funding going into community housing organisations to try to leverage up the responses there. Somewhere in the papers I have in front of me we have a couple of examples of projects where we have seen significant returns on the investment made by government. We end up with many more properties being delivered for the amount of funding that government has been able to provide. The Affordable Housing Innovations Fund was in a sense a pilot that tested what kind of responses we were going to get. It also developed up some quite sophisticated legal structures that allowed us to protect the Government's investment, but also to position community housing organisations to be able to borrow and to be a little bit entrepreneurial. That is one aspect of it.

We have been using that approach increasingly. When the Social Housing National Partnership funding came through—it was about \$130 million—our first preference was to see what we could do by using the community housing sector. We ran an expression of interest for community housing organisations to come to us with their proposals using the funding we had available to look at how much they might be able to leverage that up. While the results for year one—which was the 2008-09 year and involved \$65 million—are not publicly available to us, I can tell you that for the \$65 million that was available we received proposals worth significantly more. Therefore, we are absolutely confident that the funding we have received will be able to deliver more housing for the people of New South Wales than we would have had had we simply chosen to deliver that through Housing NSW.

CHAIR: We will need to source the personnel and information you have just referred to in your answer. Can you take on notice that we need to drill down further on that specific issue of your modelling, good governance and coordination of the diversity and who specifically is responsible for coordinating that information?

Ms BOLAND: Certainly.

The Hon. MICHAEL VEITCH: My question follows on from my previous question. You might want to take this on notice. Does anyone profile the homeless population in New South Wales? Are we able to determine if there are any trends we should be aware of in the profile population? Is there any comparison between metropolitan and rural populations? How does the New South Wales homeless population profile compare internationally?

Ms BOLAND: We will need to take the detail on notice. That said, I think we should respond broadly. We try to profile the people who are homeless in New South Wales. Our primary source of data is the census. We find it probably has a greater degree of rigour. That said, efforts to count the homeless have continued to develop. Some of the earlier counts that came through the census underrepresented homeless people. Greater sophistication in the way we are monitoring has meant that we are seeing changes in numbers, partly as a result of our counting technique, but also as a result of population change. A number of supplementary counts are also undertaken. For example, the City of Sydney does a count of the homeless twice a year.

Mr MacMILLAN: The other key source of data is from the Supported Accommodation Assistance Program, which reports nationally. There are also supplementary reports based on State boundaries. Again, it adds to the overall picture of homelessness in New South Wales. It also has its own limitations. They primarily relate to the fact that that data is collected on the availability of services. So the demand statistics are somewhat dominated by the type of service that is available in particular locations.

Ms BOLAND: I probably should comment that one of the limitations that has been acknowledged by all governments in the Homelessness National Partnership is that there is not a very detailed level of data broadly available. One of the things that has been identified as a priority is a data development agenda. That is designed to get better counts so that we are able to track more precisely what is going on. The Commonwealth Government has set aside funds for the development of data. As part of the Homelessness Action Plan, New South Wales also intends to set aside some funding to ensure our counts are better. Our perspective on that is that if we do not get good information then our planning cannot be as good as possible and our program cannot be as targeted as it should be, and we cannot tell how big an impact we are having on the lives of the homeless. I know that Mr MacMillan cannot comment on absolute differences between metropolitan and regional areas, but perhaps he can comment on broad trends.

Mr MacMILLAN: The general reporting is on the three types of homelessness: primary, secondary and tertiary. A lot of the focus tends to be on the primary homeless—that is, people sleeping rough or some alternative to that, but in essence sleeping rough. We know there are high concentrations, particularly in inner-city Sydney. However, the census data also indicates that it is quite a widespread problem. While we have intensive overrepresentation of rough sleeping in our larger centres, it is also spread across the State. That presents different types of challenge and requires different responses.

The Hon. MICHAEL VEITCH: Perhaps the details can be provided on notice. I would like the profile of homelessness in New South Wales.

The Hon. MARIE FICARRA: How accurate is that census data on homelessness? I would imagine that it would be very hard to locate people on the streets at the time of the census.

Mr MacMILLAN: Primary homelessness is the greater challenge. Secondary homelessness—that is, people living in short-term accommodation programs—is much easier to pick up. The term "couch surfing" is often used and it refers to people sleeping in other people's homes. That is easier to pick up because of the way the census is conducted. As Ms Boland said, there have been improvements in the way those counts are conducted. However, they tend to be conducted in the places where we know there are large numbers of people sleeping rough. There would be gaps.

The Hon. MARIE FICARRA: Do you think it is possible to provide sufficient low-cost rental accommodation without creating pockets of disadvantage? If so, how would Planning be able to overcome the creation of these pockets, or the perception of pockets of disadvantage? We know there is a need and we have to address it, but how are we going to do it in an appropriate manner?

Ms BOLAND: Again, from a Housing NSW perspective, yes, it is absolutely possible to have low-cost accommodation without creating pockets of disadvantage. A lot of the focus on public housing is on what we commonly call estates. That said, we have areas of concentration that might by any definition be called estates that do not function as estates. They function as a cohesive community where people have connections to their neighbours where we do not see any disturbance and where they are visually integrated with their neighbourhood. Basically they are areas that operate without any stigma. I think we could definitively say that it is possible to have low cost rental accommodation operate in a way that does not stigma. Equally in Housing NSW, as you would be very aware, we have concentrations of disadvantage aligning with some of the estates. I think one of the things to say there is that what we need in every community is a degree of mix. We need a mix of tenure. Clearly broad acres of social housing only is not a very sensible way to construct a community because it does not represent a community, it is a little bit too the same.

Having mixed communities, mixed tenure with different kinds of employment, with the kind of access to services helps to create communities that function as communities. What that means from our perspective is that we probably need to guard against a loss of low cost accommodation in areas where it already is so that we do not have to then recreate it in other areas. As we see, and this is probably moving a little into Planning territory, areas gentrifying, for example, we know that there are absolute benefits in some of those areas. We see increased service provision, increased access to transport and so on but we also potentially see a loss of affordability for households that might need to be a part of that community and, in fact, can play a very important role in those communities. So protecting areas of low cost accommodation where we have those areas I think is one strategy that is really important.

Housing NSW, in tackling areas where it does have concentrations of disadvantage, tries to work individually with each community because its experience has been that communities are different. We need to understand what it is that makes a particular community operate in a way that is less than functional and to understand what the needs of those communities are. One of our big successes I think has been the Bonnyrigg partnership. The approach on Bonnyrigg has worked very closely with the community, having the community involved every step of the way, listening to what they want, and trying to respond as far as possible to that. But I guess that is one example.

We also have other activities like the Building Stronger Communities Program, which has taken a number of disadvantaged communities around the State in metropolitan and regional locations, and worked very closely with those communities to come up with a plan that responds very much to their needs. We are doing some quite interesting things in some locations, for example, Bathurst and Orange. In Orange we are part funding a bridge with the local council because that is one of the things that is seen as being an important part of connecting the communities.

The Hon. MARIE FICARRA: Recently we saw social problems in Macquarie Fields and we recognised that some of those older estates were poorly conceived and managed. Are we doing anything proactively to avoid similar circumstances or problems in other similar estates?

Ms BOLAND: Two answers to that. The first is, one of the most proactive things we are doing is not replicating the areas of concentration that we have had in the past. So the housing that we acquire or redevelop now we try to have in areas of lower concentration. We make sure that they have got good proximity to services; that they are within close distance from train stations, buses and services and so on. We do not do any of the broad acre developments that we have had in the past. Moving forward, that is the most proactive thing that we

do. We do absolutely monitor as well though different aspects of disadvantage and of the degrees of performance of the different communities across New South Wales.

The Building Strong Communities Program that I talked of is one example of something that we are doing. We did do indices of disadvantage. We chose the communities that performed high in a disadvantage sense but where we also saw some opportunities to try to improve so we have put in place very proactive strategies in those areas. That does not mean that we are not working with the other areas of concentration because we are working quite closely there as well. It is probably worth saying though, and I think it is Rosemeadow that you are probably particularly referring to, Rosemeadow had some issues associated with it. We also had a quite well worked up strategy in that community with local government and other service providers. We are well advanced in that strategy. I guess all of us were taken a little bit by surprise with the specific issues that happened in Rosemeadow. We have continued with the strategy. We actually had seen a marked reduction in concern in that location as a result of the integrated strategy that had been put in place. We had a number of advanced measures around reconfiguring some of the properties, opening out streets, a community centre and so on to try to address that. But we really keep a close eye on many of the neighbourhoods and put in place proactive strategies around them.

Ms KING: Certainly for all the large housing public estates in the metropolitan area we have public strategies under development to look at how we tackle those estates in terms of the concentrations of disadvantage, the social problems, the built form, how we might renew the communities. So it is an active and a very significant component of the work of Housing and we have got a number of areas that have a dedicated focus to it as well.

The Hon. TREVOR KHAN: Mr MacMillan do you have a job description?

Mr MacMILLAN: Yes.

The Hon. TREVOR KHAN: What is it?

Mr MacMILLAN: Broadly my role is twofold. One is try to coordinate activity across government so I have a whole of government focus. I also have an internal focus within the department.

The Hon. TREVOR KHAN: Which is?

Mr MacMILLAN: Trying to help enhance the department's response to homelessness, as well.

The Hon. TREVOR KHAN: If I look at the whole of government response on pages 41 through to 45 inclusive does that deal with the sort of programs in which you have a finger in the pie?

Mr MacMILLAN: Yes. However, I would add that some of those programs are not directly the responsibility of Housing NSW.

The Hon. TREVOR KHAN: I refer to the King Cross Youth at Risk project. Is there some component of Housing NSW input into that program? Is that right?

Mr MacMILLAN: That is right.

The Hon. TREVOR KHAN: It is described as a partnership, of which Housing NSW is a partner. Do you have an understanding and involvement in that project?

Mr MacMILLAN: Some of my staff attend regular meetings which review progress, and so understand the model, absolutely.

The Hon. TREVOR KHAN: It states that 800 young people have been assisted since 2005. Do you have an understanding of how many young people are being assisted at any one time by the program?

Mr MacMILLAN: I would have to take that on notice.

The Hon. TREVOR KHAN: I refer to the King Cross Youth at Risk project—I am not being critical of the project, you must understand that—does the department provide funding for that project?

Mr MacMILLAN: Not at present, no.

The Hon. TREVOR KHAN: It does not?

Mr MacMILLAN: No.

The Hon. TREVOR KHAN: Who funds it?

Mr MacMILLAN: It is primarily funded by the Department of Health, NSW Health.

The Hon. TREVOR KHAN: Housing NSW even though it is a partner does not provide any funding?

Mr MacMILLAN: Not at present, no.

The Hon. TREVOR KHAN: Has it in the past?

Mr MacMILLAN: I would probably have to take that on notice as well to understand the exact funding history of that project.

The Hon. TREVOR KHAN: Is there some contemplation that the Department of Housing will provide funding in the future, so that we have covered the full spectrum of possibilities—past, present and future?

Mr MacMILLAN: I think probably more broadly the question is whether that project is suitable for funding under the national partnership on homelessness.

The Hon. TREVOR KHAN: No, that was not my question, whether it is more suitable. Is there some contemplation of the Department of Housing providing some funding?

Mr MacMILLAN: Not at present.

The Hon. TREVOR KHAN: Or not within contemplation?

Mr MacMILLAN: No.

The Hon. TREVOR KHAN: I refer to the Inner City Homeless Outreach and Support Service. Is that a partnership involving Housing NSW?

Mr MacMILLAN: Yes.

The Hon. TREVOR KHAN: Is funding provided in respect of that project?

Mr MacMILLAN: Yes.

The Hon. TREVOR KHAN: Do you know how much funding is provided on an annualised basis to that program?

Mr MacMILLAN: The total budget which is primarily shared between Housing NSW and City of Sydney I think is in the vicinity of approximately \$1.5 million per annum.

The Hon. TREVOR KHAN: How many people are being assisted by that program at any one time?

Mr MacMILLAN: I will take that question on notice. There is a data collection that can inform that.

The Hon. TREVOR KHAN: Have you or your department got any insight into the extent to which those outreach programs are effective in dealing with the number of homeless people in the inner city at any one time, that is, are you getting to 50, 70 or 100 per cent of the people? Do you know?

Mr MacMILLAN: No, we do not know the total percentage of people. It can be calculated based on City of Sydney accounts so you could take the average number of people who are understood to be rough sleepers in the inner City of Sydney and you could compare that to the data in terms of daily contacts.

Ms BOLAND: It is probably worth saying though that the outreach team actively and aggressively walk the streets and make contact with the people that they encounter on the streets. The experience that they have had is that it takes some time to build up a trusting relationship with many of the rough sleepers on the streets and so often repeat contact is necessary before they get to a point where the rough sleeper is able to trust them and maybe interested in responding. We have operated this service through the City of Sydney now since January 2006 but prior to that we operated an outreach service from Housing NSW. So we have had quite considerable experience in this. We have found that it is important to be persistent. We have found that it is important to keep out there, be visible and eventually people will build up trust. Many of the contacts do actually translate to houses in the long term.

That said it is probably worth noting that the people who are rough sleeping in Sydney often have extremely complex needs. They may have mental health disorders. They may have drug and alcohol dependency. They may have an intellectual disability.

The Hon. TREVOR KHAN: I do not want to cut you off, but let us assume that is dealt with. What key performance indicators do you have to determine the success or failure of the programs you are funding? Are you able to say in respect to each of the programs that are listed in which the department is involved in a partnership, what those key performance indicators are? You can take that on notice.

Ms BOLAND: We will take that on notice, thank you.

The Hon. TREVOR KHAN: In respect to the inner city program, it identifies 349 clients who have received outreach services and 367 clients have received intensive support services. In terms of the outreach services are you able to identify what those outreach services are?

Mr MacMILLAN: Yes. There is a data count that would inform that to some extent, absolutely.

The Hon. TREVOR KHAN: Will you take that question on notice?

Mr MacMILLAN: Yes.

The Hon. TREVOR KHAN: What is the nature of the intensive support services?

Mr MacMILLAN: There is a specialist team that will offer a variety of types of services according to the need of the client. For example, there are not specialist mental health services available. However, the specialist service is targeted at the particular needs of clients, particularly those who are able to move from the streets into housing.

The Hon. TREVOR KHAN: In relation to the intensive support services can you identify whether the contact with those 367 clients is in the nature of a one-off contact or is it an ongoing provision of services to those people?

Mr MacMILLAN: The data collected separates out contacts and ongoing clients.

The Hon. TREVOR KHAN: Will you take that question on notice and provide that material?

Mr MacMILLAN: Yes.

The Hon. GREG DONNELLY: A lot of the success of these programs depends on the post placement support. What sort of post placement support is provided?

Ms BOLAND: It is probably worth talking about the HASI model—the Housing and Support Initiative, a joint program that we have mentioned somewhere in our submission with NSW Health. We have taken a model that builds on the Housing First approach, taking somebody who previously might have been cycling through sub-acute care in a hospital, a mental health institution to the street or to somebody else's couch.

They are not receiving any follow-up support, back into sub-acute care, back out onto the street—a cycling that is incredibly costly for the health system. That does not progress the person who is suffering from that kind of cycling in any direction either. The housing and support initiative was about making a house or a unit available for somebody suffering from a mental health disorder, connecting up clinical services and general life support together around that person, trying to give them all of that at once.

That support for some people who are in that program will continue indefinitely. Some people who are in that program have very high levels of support. They would be in contact with their general support provider or alternatively possibly their clinical provider many days, if not every day. Others are in a position where once their situation is stabilised they get a bit of a step down in support. So with the costs associated with that reduced but also importantly they are able to stabilise a little bit more and start connecting with their community and make those kind of changes. Some people under that program receive very low levels of support in the beginning and may only need that intermittently to be able to maintain a tenancy and their connections with their community. What we have seen though with a quite comprehensive valuation of that, it started with 100 clients and we did an incredibly thorough evaluation of that that found that somewhere in the order of 80 per cent of the people who are placed stayed in their housing. They did not see any relapses. They may have had brief periods of hospitalisation but their overall hospitalisation levels were reduced dramatically.

We saw a significant freeing up of sub-acute beds, which meant that the health system was able to service more people, but importantly these people were able to live more fulfilling lives. I cannot recall if any went on to gain employment. I had a vague memory maybe one or two of them may have got employment as well. But there was a significant improvement in their lives from the previous cycling through systems. So I guess we have been using that model—certainly the HASI model has expanded dramatically since its original 100 so that there are now more than 1,000 people who are being served through that program. But importantly we are using that model in our thinking as we approach the homelessness action plan and as we develop other programs as well to try to replicate the elements that made that work so that we were not relying on just acute care for people but instead had extended support and particularly had contact with a continuing presence in their lives I guess so that they felt a bit more stable.

The Hon. TREVOR KHAN: Are you able to provide us with a copy of that evaluation, obviously doctored so that we do not have names?

Ms BOLAND: Yes, we are.

Dr JOHN KAYE: In the United Kingdom we heard that there is now a very well developed regulatory and funding system for community housing. In fact recently they have split the regulation and the funding into two separate autonomous bodies—bodies that are autonomous of the Government. I cannot remember the details but there is a range of other bodies that deal with the community sector. Do we have anything equivalent to that here in New South Wales?

Ms BOLAND: We have a funder and a regulator through the community housing division in Housing New South Wales.

Dr JOHN KAYE: But that is one body, one government department.

Ms BOLAND: It is one body. I have temporarily forgotten the name of the review of the regulatory system in the United Kingdom but one of the points that was made by the author of that review of the regulatory system that did result in the creation of the Tenant Services Authority and homes and communities was that it had been important in the development that those two, the funding and the regulation, had been coupled for an extended period of time, particularly because it meant that there was a reinforcement of policy direction. But ultimately it had reached a point where potentially in the United Kingdom there had been too great a focus on investment possibly to the exclusion of tenants and that what was happening was a necessary redress so the creation of the Tenant Services Authority focused again on the tenant as the centre of the housing service, rather than the housing provider as the centre of the housing service.

It also took on extra roles in regulating the private market. Here we have a much better regulated private market through a lot of the work of the Office of Fair Trading than they do in the United Kingdom. It redressed that need. The other point I would probably make about the regulation here is that it is in its early days but we have been very conscious in the development of the framework to ensure that the needs of vulnerable tenants are absolutely equal with the need of government to protect its investment into the future.

Dr JOHN KAYE: Am I correct in saying that there are two separate regulatory functions, one is protecting the tenants and the other is the governance issues, making sure the money that comes from government is spent in an accountable and efficient fashion?

Ms BOLAND: I must say I find that hard to separate, partly because—certainly as I described it, there are three basic areas that are regulated. One is management of tenants and the fairness with which that is treated and the management of assets, one is governance and one is financial sustainability. The Government provides funding so that vulnerable tenants are housed appropriately and adequately. The interests of the tenants are very much the interests of the Government. Tenants have their own interests as well, and it is important that tenants have a voice in the regulatory process and that their concerns are taken on board. But I think that it is important to emphasise that government provides funding so that vulnerable people can be housed in safe and secure circumstances.

Dr JOHN KAYE: That is not the question here. It is more a question of the actual governance of the decision making of the community sector. Let me take this another way. As I understand it, we have reached a crossover in the United Kingdom where the community sector, the non-government sector, now provides more social housing than the council housing, which is more or less the equivalent of departmental housing. Australia is a long way on the other side of the curve.

Ms BOLAND: That is right.

Dr JOHN KAYE: About 10 per cent of affordable housing in New South Wales is provided by the community sector and about 90 per cent by the Department of Housing?

Ms BOLAND: Broadly, 15 per cent of social housing is community housing and the remainder would be public housing.

Dr JOHN KAYE: As you pointed out before, Minister Plibersek is pushing us in a direction, and I imagine the New South Wales Government is also pushing it in a direction where that will begin to climb. Do you think the current regulatory structures, where Department of Housing does the regulatory functions, will be adequate? Do you think there will come a point where we need to create separate autonomous regulatory and funding bodies?

Ms BOLAND: My personal judgement, rather than a stated Housing New South Wales position, is that probably for the next decade the arrangements would be adequate. I would look to the United Kingdom system. The review of the regulatory system in the United Kingdom endorsed that it was the right direction for something like the first 20 of the 25 years of its operation to have that kind of alignment. We do still have a relatively small sector. What I probably see is a shift in the role of Housing New South Wales so that Housing New South Wales did not predominantly conceive of itself as a service provider and it certainly was not viewed by the community as predominantly a service provider but would instead have service provision as one of its roles, along with many of the things it does at the moment—finding ways of brokering access to the private rental market, advocacy around improved affordability for low-cost housing—as well as importantly a regulatory and funding role for the community housing sector.

I would be surprised if inside the next decade there was a need for a significant shift away from that. What I would see across that time as well though is a more joined up approach to regulation and particularly at the larger end of the community housing provision, the growth providers, so that we see a national system of regulation that allows for providers to move across borders and operate more effectively in different locations in the State. I think there will be a focus on making sure there was a greater degree of alignment between the regulation of different jurisdictions.

Dr JOHN KAYE: There is a whole lot more I could ask you but we have run out of time. Thank you for those answers.

CHAIR: There is an opportunity to ask questions on notice, if we can get them in the next 48 hours. As to answering questions on notice, we would ask your indulgence to respond within 21 days.

Ms BOLAND: Noted.

CHAIR: Thank you for your assistance this morning. No doubt we will be asking you for more assistance and possibly to come back here again.

Ms BOLAND: Thank you. We recognise the importance of the topic and we very much look forward to seeing your findings.

(The witnesses withdrew)

(Luncheon adjournment)

BILL RANDOLPH, Professor and Director, City Futures Research Centre, University of New South Wales, affirmed and examined:

CHAIR: Thank you for attending. I understand that you have a PowerPoint presentation?

Professor RANDOLPH: Yes. Thank you for inviting me to give some evidence. I am very pleased to do so. I have sent you two things. One was a short summary of what the City Futures Research Centre is and our relationship to the Australian Housing and Urban Research Institute. I will not dwell on that. If you have any questions on that, you can ask me later. Essentially, we are a university research centre that focuses on urban issues, housing, urban planning, sustainability, those sorts of things. One of the key areas we look at is housing policy. We are funded in part through the Australian Housing and Urban Research Institute, which is a Federal- and State-funded research agency that funds housing research. Housing New South Wales is a contributor to that. So, we are very grateful to Housing New South Wales for supporting AHURI.

I want to concentrate today on some aspects of the private rental market. I have chosen to limit what I have got to talk about from the very wide remit you are looking at. I am happy to take questions on other aspects, of course. We are doing a large amount of work at the moment looking at estate renewal, urban renewal aspects and we have some work on with Housing New South Wales in that area at the moment. What I want to do basically today is focus on three bits of research that our centre has been involved with over the past two, three or four years funded primarily through AHURI and just pick the eyes out of it really to give you some background, some complex material really, to help you with your deliberations, looking at where we think the private rental market has got to and some of the drivers and dynamics behind the market at the moment, and then end up with a raft of questions: Where does that leave us in policy terms.

The three bits of research are, first, a piece of work we looked at called the Motivations of Residential Investors, which was led by Dr Tim Seelig from the University of Queensland. The second piece was a national research venture on housing affordability. This involved four or five universities, but was led by Dr Judy Yates at Sydney. The third was a piece I worked on, which is looking at the spatial geography of low-income private renters in our major cities. As I say, I will pick the eyes out of these things and rip through them pretty quickly. The first thing to point out in the context of your deliberations is that a lot of the policy we are talking about here is Federally determined. The response at State level to what is essentially a Federal policy context is something you are going to have to think about very carefully and how the State works within that context. Then at the end just some reflections about what all this means for housing for low-income households: Are we at a turning point in how we proceed to provide housing for low-income Australians? I think certainly at a Federal level there are some clear indications that the policy is changing, and that will have some serious ramifications down the track.

First, why do people bother getting involved in the private rental market as investors? This piece of work was done between 2005-07 and was published last year in 2008, involving quite a team of people. It involved fieldwork. We talked to investors basically to find out why they bothered—essentially in New South Wales, Victoria and Queensland. When we talked to them the investor boom certainly in Sydney peaked. So, it was interesting to see where their perspectives had gone with that and the implications for the future. First, a few trends. These are quite interesting because it shows what is happening in the investor market. The two lines on the chart, the red line is lending to owner-occupiers between 1991 and 2008. The blue line is investment by investors for rental. You can see quite a clear peak at the peak of the boom in 2003. Lending to owner-occupiers has carried on after a slump, but investors essentially has peaked out and that lending gap has emerged. That is one of the main reasons why the housing market has come off the boil, because investors are not in there investing to the extent they were. This is an important issue because the housing boom and the significant decline in affordability in the early part of this decade is quite clearly related to the boom in investment that went on at that time.

Dr JOHN KAYE: So what happened in 2003 that suddenly made the growth in investment in the rental market stop?

Professor RANDOLPH: I think a number of things happened—this is where the next slide actually comes in quite usefully because the changes in New South Wales took the sting out of the market—the taxation changes.

Dr JOHN KAYE: What changes were they?

Professor RANDOLPH: This is the vendor tax. It changed perceptions. I think also the market had reached a peak anyway. It was well out of kilter with incomes.

Dr JOHN KAYE: Demand had been satisfied?

Professor RANDOLPH: Pretty much.

Dr JOHN KAYE: Or the profitable end of demand had been satisfied?

Professor RANDOLPH: Exactly. So, there was a peaking of the market in a number of ways. I think essentially that was reflected and it was kind of tweaked, turned on by that vendor tax. But it has not recovered. That is the point. So, taking off the vendor tax did not make a lot of difference.

The Hon. TREVOR KHAN: Essentially the trend line is flat from 2003?

Professor RANDOLPH: It is. It is edging up slightly with some bumps, but essentially it really came off the boil at that point. The next slide will help us understand the detail. These are the trends for lending for investors in the three cities. The blue line is Sydney, then we have Victoria as the yellow line and Queensland the red. You can see the significance of the Sydney market in that investment boom. That is one of the key things. There is a real geography to this. Elsewhere there was a boom and it has levelled off, but it never got to the heights it did in Sydney. I think one of the key things about the national trend we saw earlier is the role of the Sydney market in pushing that peaking. This decline in investment since 2003 in Sydney is a significant issue for why the housing market here has been in decline or less stable.

The Hon. TREVOR KHAN: Have those statistics in any way been turned into the relative size of the markets?

Professor RANDOLPH: No, not to my knowledge.

The Hon. TREVOR KHAN: It strikes me that if you look at New South Wales, even though it is trending down, the relative size of its market is even more important. If you did that in a relative sense, it would actually make it worse, is that right?

Professor RANDOLPH: It may well do, yes. I think Sydney has a very significant rental market for sure and the new bill of course is a key part of that, and that is what has been hit.

Dr JOHN KAYE: Just so I am clear, these figures represent billion dollars per month?

Professor RANDOLPH: Yes, these are billion dollars per month. So it is a significant amount of money that has come out of the market. So that is trend and investment. That investment collapse in a sense has continued. These are figures out of the ABS I picked up a couple of weeks ago. The last three months of figures suggest that lending is 46 per cent down compared to a year ago over Australia as a whole. The issue really is that we know the rental market is driven by the mums and dads, the small investors with one, two, three, four or five properties. They are obviously shy of the market at the moment. Will they ever come back? Is there an alternative? I think they are the questions we need to ask ourselves, certainly in relation to the low income part of the market. There is not a question about the high end; it is the lower income part.

Just to cap it all, these are the construction figures for the past 20 years across Australia. You can see construction typically as we all know goes in booms and slumps. This is the end of last year. Judging by previous slumps, we have a way to go before we bottom out on this. I just thought I would put that up there because there has been a lot of talk about the problems in the construction sector, but certainly we have not got anywhere to the slump that was apparent in 2000, and not even back to the 1996 level. So, there is an interesting correlation between what is talked about in the construction and development industry about the need for investment, yet we have seen a big decline of rental investment, and yet the market has not bottomed out to the depths it has in other slumps. Anyway, we will not dwell on that too much.

Why do people want to become rental investors? We have talked about mums and dads. We knew that was the case in the 1980s and 1990s when quite a lot of research was done on landlordism in those days. Not much has been done since. Our piece of research we did for this project was an attempt to see whether those

conditions remained. That certainly is the case. Our findings pretty much confirm that the amateur landlord is still a fairly dominant feature. There some professional landlords who had built up a significant portfolio.

Dr JOHN KAYE: Is that across all dwelling types?

Professor RANDOLPH: Yes.

Dr JOHN KAYE: So, the amateur is more important, and produces more units than the professional developer?

Professor RANDOLPH: That is certainly our understanding still.

CHAIR: In low costing?

Professor RANDOLPH: Yes.

Dr JOHN KAYE: In low cost, or across the whole market?

Professor RANDOLPH: I cannot answer that. I do not have the evidence to substantiate that, but I suspect they are fairly dominant in the low-cost market.

Dr JOHN KAYE: Your figures are across the entire market?

Professor RANDOLPH: That is correct.

Dr JOHN KAYE: Are more mums and dads units being built for rental purposes or developer purposes than for Meriton apartment blocks? It seems to be counterintuitive.

Professor RANDOLPH: We need to understand that the investor market is as much a second-hand market than a new market. So, whilst there are Meriton blocks and those sorts of problems coming on stream—which are predominantly are the investor market, and we know that from other research we have done on the high-density market—a lot of the investment goes into fibro in the middle suburbs and those sorts of properties. I do not have any figures on that, nor does anyone else.

The Hon. MARIE FICARRA: There are mum and dad investors in Meriton as well. You talk about professional landlords with big portfolios.

The Hon. TREVOR KHAN: Another thing about the Meriton exercise is that those large developments have the advantage that you do not need Foreign Investment Review Board approval to buy a new unit like a Meriton. They are motivated by a large component of overseas purchase in those.

The Hon. MARIE FICARRA: I was not aware of that.

Professor RANDOLPH: I think that is correct.

The Hon. TREVOR KHAN: That is why you never buy a Meriton apartment; you are competing against a market that is not available otherwise.

Professor RANDOLPH: Again, that is only my impression. Around the University of New South Wales there seem to be a lot of blocks that pass straight to an overseas purchaser for those students.

The Hon. TREVOR KHAN: That was my impression 12 months ago when I was trying to buy a unit.

Professor RANDOLPH: A couple of years ago research was done in Melbourne that identified 30,000 overseas students in central Melbourne. Virtually all of them lived in flats. It is a major part of the market in central Sydney and Melbourne. We did not touch that market, because obviously there were overseas buyers. These are all Australian living.

Probably the most significant finding in the range of reasons why people were involved in being investors related to personal goals and circumstances. The whole range is wealth creation, retirement income,

they did not like shares, they had been stung in the downturn of 2000, inheritance, re-partnering and household splitting. People like homes, it is an attraction for investors, it is a place they can look at. They can go around and polish the front step and know about it. They know about buying and selling houses or flats because they do it themselves, not like shares. They can manage it directly.

There is a whole range of reasons why people get involved in that. It has policy implications, because if you are trying to put policy in place on investors who have a wide range of reasons and rationales, that makes the job more difficult. Subjective preferences were quite to the fore in the decisions people had made about why they bought and why they were still hanging on to their property. Age and person circumstances came out as a very dominant actor, retirement income, rather than the state of the market. Nevertheless, most were looking for long-term risk-free capital gain and that has real implications for us now with the downturn in the property market—how many of those investors are still looking for capital gains as a main driver, or are they switching their attention to the rental income side of things.

Clearly there is a process going on: the rents are rising, so clearly there is a shift to rental income. Interestingly, negative gearing was not a major issue for them. About 50:50 of the people we interviewed either saw it as a positive thing or just did not take a lot of notice of it. That again has some implications, as it is seen as a major tax incentive for investing. We wondered if the high satisfactions levels they reported in 2006 and 2007 has changed. What are the implications of these findings for the long-term investment at the bottom end of the market.

There is emotional opportunism, bounded rationality, with descriptors of why people made those decisions, and a big mix of decisions. The issue of how they might use economical leave or taxation leave to change those decisions or change their behaviour may be limited. Very few of them had any idea or clue about Commonwealth rent assistance as a demand side stimulant to their business; they simply did not consider it, which is important because Federal Government policy on rental housing is pretty much wrapped up in Commonwealth rent assistance. The idea of long-term capital growth was a basic driver. Is that bundle of activity that residential investors exhibit a long-term basis for a stable subsidised rental market? That is what we are talking about at the bottom end. It is subsidies and the way in which government at all levels subsidises that system.

The Hon. TREVOR KHAN: Regarding the earlier graph that dealt with the change in investment patterns of 2003, has anyone looked at the impact on investment in the share market over the range of, say, 2000 to date? Particularly, has anyone looked at the online investment in the share market that seems to have boomed over the past five years? Has there been a shift of investment dollars out of the traditional bricks and mortar into share portfolios, particularly online share portfolios?

Professor RANDOLPH: No. That is a very good question. One of the drivers of the move into property in 2000 was the downturn in the property market at that time, the dot.com debacle. We had a bull market in shares until relatively recently, as we all know. That certainly had a countervailing factor in investment decisions by that sort of investor. I have not come across any studied research on this. We did not pick up on that, because our guys were still investing in property. We did not get hold of the ones who had left and the ones who had not yet come forward. It is logical to assume that there is a very close relationship between alternative assets of the sort that mums and dads, ordinary people like you and I, can get into if we want to.

It is certainly something that needs to be factored into any discussion about the long-term viability of the private rental market. Of course, that is driven by investor decisions of that sort. It is not just about the housing market, but also about what is going on elsewhere. That graph you alluded to, about investment, essentially tailed off after about 2004 and it could well be related to that, the escalation in share prices and assets on that side of things.

The next piece of work we were involved in was a large project. I will talk about one sub-element of it. Simon Pinnegar is our Deputy Director, and Terry Burke is a Swinburne University. There was a three-year project looking at the whole issue of housing affordability for lower-income Australians, lead by Judy Yates at the University of Sydney. One of their pieces of work, which is quite useful in this context, is that we looked at demand the demand side. Who has affordability problems in the housing market? Why are they there? What is their experience of it? How do they cope? In a sense, this is the other side of the coin to the investor. These are the people who are in the low end of the market.

This chart attempts to summarise the overall findings of the whole project. It basically tries to nail the numbers of people in housing stress—housing stress being defined as those on the fortieth percentile or lower of income; so low to moderate income who are paying more than 30 per cent of their income in rent or mortgage costs. The biggest number by far were around about 450,000 to 460,000 households paying between 40 per cent to over 80 per cent of their income in rent. There is a big chunk of low-income renters, which we did not really know about until we did the work. It is a big chunk.

The low-income purchasers in stress, about a quarter of a million of them, pay slightly less, but up to 60 or 70 per cent in some cases. Essentially the problem of affordability in Australia was the low-income renter, that is where the numbers are. You could argue that a lot of low-income purchasers will hang on and move out of that stress position as their incomes rise.

The Hon. TREVOR KHAN: Before you move on, are those figures available by State, and more particularly for New South Wales?

Professor RANDOLPH: They probably are, I cannot remember the details of the report. The report is available on the Australian Housing and Urban Research Institute website, housing affordability, a twenty-first century problem. There are 12 background papers that go to all of this in real detail. Certainly Judy Yates would have done the numbers at State level for that part of it. I am sure they will be in there somewhere, but I do not know what they are.

Looking at those two income quintiles, under the 40 per cent, the biggest numbers were in private renters, low-income working households, households with children, particularly sole parents, single-person households under 65 years, and, of course, low-income home buyers. Amongst the low-income private renters, 65 per cent were in housing stress. Just about half of low-income purchasers were in stress. Half of that low-income renter group for working households, which gets us onto the issue of key workers, which I notice was one of your questions.

A separate piece of work that I did with Judy Yates and Darren Holloway, looked at key worker issues in Sydney, Melbourne and Adelaide. We found that clearly key workers are not police, teachers or nurses necessarily. They are the key workers who have affordability problems in our big cities, and this chart is actually Sydney. They are hospitality workers, food preparation workers—those who make the sandwiches you eat at lunchtime—miscellaneous elementary sales workers, sales assistants.

This is the proportion of those households headed by people in these industries and occupations who are earning less than \$1,200 per week, which is about the median, so it is a large proportion. This is the proportion of households that are in stress. That is where the key worker problem lies in our cities. This is not rocket science: it is low-paid workers, and these are the occupations they are in. One of the key issues when you are thinking about key workers is where those jobs are, as opposed to where the opportunities for them to live are. That takes us to the last piece of work, which I will talk about in a minute.

Going back to our analysis of the low-income renters and homeowners in stress, we interviewed a large number of them, and we did a survey as well. We came up with the usual market research thing, which is you put names to the groups you identify, to make it easier to classify them. We came up with four low-income renters and three low-income purchasers stress groups. One lot we called strugglers. These are people on the bottom, with no hope of ever getting out of the rental market, maybe 140,000 of them nationally, many of them over 35, trapped forever in rental. They are important, because as they get older they are going to be in the rental market until they are 80, and that has real implications for subsidised housing policy down the track.

Backsliders were people who were owners and fell out, for all sorts of reasons: relationship breakdown, job loss, and health issues. Some of them will get back, but they will not get back alone; they will have to re-partner to get back in. Pragmatists tended to be younger people who were just in the rental market; they have a low income—these are all low-income people—making the best of it for now, probably heading into that struggler band down the track; some will get out. Then there are the aspirant purchasers, the FHOG mob, people who FHOGs targeted, who saw themselves getting out down the track; they were on low incomes now but they were going to get there and become home owners.

That was the sort of group. Do we need policy options for all these types of people? The only one I will talk about here is the group of 40 per cent who are low-income stress homeowners who have probably stretched. With unemployment rates rising, this was the group—40 per cent we estimated—who are going to fall over the

edge once they lose their jobs. Although, interestingly, quite a large proportion of the people we talked to were homeowners. They were stressed, but they were very ambivalent about home ownership: "Why are we bothering to make the effort? Our house prices are falling. We may as well just give up and go back to the rental market; we won't have to bother about keeping the place up." It is very interesting that that was quite a common perception amongst some of those low-income homeowners.

Dr JOHN KAYE: These data were collected in 2007?

Professor RANDOLPH: These data were collected in 2007, yes, that is right.

Dr JOHN KAYE: Were home values falling?

Professor RANDOLPH: They were in Sydney.

CHAIR: What about the locations where they had purchased?

Professor RANDOLPH: These were predominantly, although not exclusively—we concentrated on Melbourne and Sydney, and the metropolitan region. We did take some outlying areas up and down the coast, and I think Bendigo was one area we looked at in Victoria. Essentially, a lot of this was out west in Sydney, and out in the suburbs of Melbourne.

What does this mean for policy making? Again, a little like the rental investors in the market, there is a whole range of distinctive groups with distinctive needs and aspirations in the rental market in housing stress, low-income people. The issue of permeability of the rental-ownership divide came out very much. People move into and out of home ownership. Do we need policy solutions to address those? All those groups have had different needs and aspirations. Do we need policies to address them all?

What we have argued elsewhere is the social continuum of assisted housing options. It is not just: You are in public housing or you are not. We would argue very strongly that that came out of the piece of work that Judy Yates led. We need a continuum of assisted housing options. One-size-fits-all is not the way to go. That means broader housing policy, housing subsidy and practical housing tenure options. Where does private rental fit into all this?

Lastly, we looked at the geography of where the low-income rental market has shifted in three big cities—Sydney, Melbourne and Adelaide—in the recent past. I will not bother with that; I will go straight to the maps. The first map shows the Sydney local government areas. The blue areas are where the proportion of private rental low-income households declined in the period 1991 to 2001. The deeper the blue, the larger the decline. The red and pink areas are where that proportion increased. Over the 10-year period, quite clearly there was a major shift outwards into the suburbs, and to Gosford and Wyong, of that low-income rental cohort. The only thing you cannot quite see, because it is hidden by the names, is the city of Sydney itself, which increased its numbers of renters, largely due to the flat building that has gone on there. There are a lot of low-income renters that have flats in that area. That is one countervailing tendency.

CHAIR: This is only renters?

Professor RANDOLPH: This is only renters, and this is only low-income renters. So there has been a suburbanisation of the market, very clearly. Verticillation in the inner city, with rising house prices in the North Shore and eastern suburbs, have been quite clearly pushing those people out. And it has gone on. This is a slightly more complicated map, by postcodes. The next map shows the recipients of Commonwealth rental assistance by postcode and the change between 2000 and 2005. Again, the blue areas show where there has been a drop and the red areas show where there has been an increase. In particular you can see there has been a concentration of people on very low incomes, that is Commonwealth rental assistance recipients, in that middle band and outer suburban area, and in Gosford and Wyong. That is a pattern that has happened in all our big cities. This is Melbourne, which shows the same thing: inner city loss, outer city gain. That is the postcode data for Commonwealth rent assistance, which shows a clear push out.

The Hon. TREVOR KHAN: Can we go back; it does not matter whether it is Sydney or Melbourne? If you go to the previous map, it seems to give a different outcome, does it not? It seems that on that map there is a push-out both to the west and the east and the north-east. But if you go to the next map, it seems that the emphasis is on the middle ring. Am I missing the point?

Professor RANDOLPH: No, you are not missing the point at all. It is a good point. There are two things. First, the geography of the data is important here. With this map, the areas are larger. Those are the numbers of low-income renters, whereas this map is a slightly different take. These are the numbers of Commonwealth rent assistance recipients. The data and the geography give a different picture here. Remember that rent assistance recipients are not the same as low-income renters. These are people who are basically on pensions and benefits. Again, I think this middle band is the same in Sydney. That middle band of our suburbs are picking up the lowest of income in the rental market. I think that is the message in these pictures.

The same thing is happening in Adelaide as it is in the other two cities. Clearly, there is a suburbanisation going on of the low-income rental market, as it has done for the last 10 or 15 years. I will not dwell on that. Although it is interesting, you can work that one out for yourselves, on your own.

What does this mean for the policy-making side of things? Those trends are basically all happening, and have happened before the boom broke in 2004—investors seeking capital growth in the suburbs. But, as we have seen, affordability issues are very vulnerable to investor sentiment, as they change their seeking in investments. That will change the availability of low-cost rental housing and its affordability. What has happened in the suburbs now is that rents are starting to rise, as investors are shifting their gaze to rental income to keep their yields up.

A lot of low-income working renters, particularly single working renters, do not get Commonwealth rent assistance. Arguably, that group of the population is the least subsidised of us all. We all get subsidies to be homeowners; we do not get capital gains tax, and things like that. If you are in the public sector you get subsidies to be there. And if you are a low-income working family, you get Commonwealth rent assistance because you have children. But single low-income working renters really get very little at all to help them out.

One of the issues is the impact of geography, or the spatial unbalancing of our cities. We now have very, very limited low-income markets in the centre of our cities. That has a particular importance on key workers. We need to think about that. Yes, some low-income jobs have moved out, but they are all the low-income service jobs; there is very little opportunity to get a good, well-paid job out in the suburbs. Where we think more strategically, the issue is: What does this mean in terms of the private rental market being able to absorb or soak up what is going to hit it in the next two years as unemployment rises? It is going to rise in those areas, not necessarily in the inner city. The overall question is: We have a very fragmented sector. It is driven by all sorts of unpredictable, subjective investment decisions; it plays off a lot against what goes on in other asset markets; it is very volatile, on the one hand. We know that on the demand side there is a whole range of people who want private rental accommodation for all sorts of reasons. Some of them are thinking of getting out, and some will never get out.

I think the issue really is: Do we think that the private rental market will come back, that the rental investors we know and love will ever come back in the current form, given current policy settings? Or are we moving into a different stage of the market in the next 10 or 20 years?

We now come to the conclusions. The first point I have already made: Lower income working renters are probably one of the least supported housing sectors in the housing market. A lot of them are relatively youthful. Many of them are these pragmatists. They are in there, but will they become the strugglers over the long term? What does that mean to have an aged private rental population? We have some research which we are developing which will look at that sector, because I think very importantly, do we want lots of 80-year-olds living in the sort of accommodation that the private rental market delivers at the bottom end, which is not good stuff?

With the suburbanisation of the market, does it matter that the low-income market is vulnerable to investor sentiment? Clearly, the system does not support an inner-city low-income supply. If we wanted a system that was efficient, effective and equitable in terms of how we spend our subsidies, would we have the system we have today, with the low-income private rental market? That is a question we would want to ask ourselves. If we do not want that, what would we have to put in place to get investors, private renters, to deliver an efficient, effective and equitable outcome for low-income Australians?

Do we need a different sort of investor, a different sort of landlord, because obviously the two do not need to be the same thing? The people who fund the housing market do not need to be the people who actually

manage it and own it. What alternatives are there in what will be, I think, a low capital growth scenario over the next few years? We do not know when the next housing boom will come, or whether it will come at all.

Finally, what are the alternatives? If we do not have mums and dads, the only real alternative is institutional investors. The rise of rents and the introduction of the National Rent Affordability Scheme starts to reduce the yield gap between what the institutional investors want out of long-term investments. They are interested, but they know there is a gap and they are not going to go there yet. But as rents come back to normal levels—and in the past normal rental yield on investment property was about 8 per cent; we have been off that for a long time now but we may return to that as rents rise and prices plateau—does that get the institutional investor back on board?

What would we need to get them into the market? What are the one or two percentage points you need to get them to bridge the yield gap? How might we do that? Housing bonds—an idea that was floated some years ago—can we reassess that? Is there a way of getting the mums and dads to invest in securitised housing bonds rather than directly property themselves? That is another way in which you can tap the mums and dads market, which would be more secure for those who live there: it would not be so volatile; it would not be such a fickle market, in a sense, for those people who look to the market to supply them.

This idea of patient capital I have heard several times recently in that we are no longer going to look for capital growth in the rental market to deliver returns but have a much longer term perspective rather than seven or 10 years—it could be 20 or 30 years—and that is where institutions come back into the picture here: If you can give them a long-term yield, patient capital may be one way to go. Then you have got the not-for-profit landlords on the other side of the coin, while we now know there is an emphasis on Federal Government and State Government on the not-for-profit sector. Those in the sector, and I have an interest in it because I sit on the Minister's community housing advisory committee and I have a long interest in them, we would argue that they would be much better suited to low-income housing provision—clearly they are not in the high-income game—and working with public housing and social housing providers to do that.

This notion that the not-for-profits could be involved in urban renewal areas with mixed tenure outcomes, that is another thing on your agenda. I am not going to talk about that today, but we have done a lot of work on how mixed tenure renewal might take place both on public housing estates and outside in that rough end and duff end of the private rental market. Then the whole issue of how might we reform the existing subsidies that flow to the low-income rental market—do we need to target negative gearing? Do not move it but just target it on the low-income rental market. Commonwealth rent assistance, again, could be boosted and targeted, but that is Federal Government policy. I think the issue for you is to work out what means the State Government has to pull in this area. That's it.

CHAIR: Thank you very much. That was very informative. I think we have got a lot of food for thought there. We have got some time now for questions.

The Hon. MARIE FICARRA: What would you like to see come out as recommendations from our Committee?

Professor RANDOLPH: It is probably a \$20 million question—or maybe a \$100 million question. I think we are moving into a new phase of the way housing would be provided in Australia, I think that is on the cards. I think we have seen some problems with the existing system in terms of affordability—certainly in terms of the supply side—for homes for lower income Australians and, let us be quite frank about it, those lower income Australians are a critical part of the economy: they do very important jobs; they keep the economy going. We have to think about them as an entity as we go forward. I suppose what I would like to see would be the development of a stable and viable sector, probably not-for-profit, but I think they are well suited for this sort of business, and it would be a supply-side solution, so they would have to work in the development industry with the planners—because I think planning is a part of this, which we have not talked about but will have to be part of it, and the planning Minister here is part of that equation—to deliver and manage long-term a sector which will cater for increasing numbers of those low-income working households.

I think the people who are on full welfare or the older population on full low benefits, there is still a public housing sector out there, but I think over the next 20 years that will change because that will be offloaded into the not-for-profit sector—that is almost certain to happen; the Federal Government is going to push for that. So over the next 20 years we will see probably, and I would think this would also be a good thing, the decline of public housing as an entity—certainly, the decline of those big public housing estates; we have to get away from

those; we could talk about those some other time—and the substitution of that sector, plus perhaps the substitution of some of the worst end of the low-income private market with a non-for-profit independent sector supported by an appropriate range of subsidies. We are edging towards that. But I think it has to be a supply-side solution: we need more housing in Australia, not less. We need to get more homes out there, not just fiddle around with the homes we have got. So it is not about just giving people money to compete for homes in their limited supply, we have to think very carefully about the supply side.

I think that would summarise it. I think that is where we are heading and I think other countries have done that now and have shown there to be positive gains from that. Engaging the long-term investor, engaging the development sector in understanding what affordable housing is is another key thing.

The Hon. TREVOR KHAN: Firstly, I have to congratulate you on your presentation; it is extraordinarily meaty, and I could say, comparatively, really useful.

Professor RANDOLPH: There have been whole teams of people working on this.

The Hon. TREVOR KHAN: I am sure, but, nevertheless, it is very useful. Towards the end, and I think you could describe it as your complete conclusion part, you talk about how the suburbanisation of low-income rental is likely to lead to greater job-home mismatch. Do I take it that what that means is that essentially what we have is low-income earners who are being forced out into the suburbs and yet a significant percentage of the jobs are still remaining in the inner core of the city? Is that essentially what you are saying?

Professor RANDOLPH: I guess in essence, but it is more complicated than that, of course. I think the maps show quite clearly where the market has gone and it has moved away from the inner city—we all know that. The issue of where the jobs are is more complicated because, again, as part of that project we also looked to where the low-income jobs were, and they were shifting out. So there is no doubt the middle and outer suburbs are picking up low-paid sector jobs—those sorts of jobs that are moving out into suburban locations; a lot of them are associated with the population; so you have a shop site in Penrith because that is where people live, and they employ low-income shop assistants. But I think it is still the case that the inner and the eastern and north shore areas require large quantities of low-paid workers—the care industry, the aged care industry, for example, transport, shops, retailing, and of course the restaurant and entertainment businesses are very dominant in this part of the town.

The logic has to be there is an increasing spatial mismatch between where low-income housing opportunities are and where low-paid jobs are still concentrated.

The Hon. TREVOR KHAN: Could I suggest to you that there is the added problem in that the areas people are being forced out into are areas with poor public transport outcomes for them? So that, in a sense, we are moving people away from the well established rail links, for instance, and forcing people into more expensive private transport in order to get to the low-paid jobs that are further and further away. That is one of the outcomes, is it not?

Professor RANDOLPH: Again, the logic is that that is the case. But again, it is not quite as simple as that. One of the very interesting things about Sydney particularly—Melbourne is not quite like this—Sydney has those clusters of high-density housing out into the suburbs along the rail lines—the East Hills line through Hurstville, certainly through Strathfield out that way, Cabramatta, Fairfield, Auburn, places like that where there has been high-density redevelopment around Lakemba, Canterbury, which are rail lines, by and large. So there is kind of a relationship between some of the high-density, very low-income rental market and rail lines. But the key thing is, of course, that low-income jobs are not clustered in the same way. Clearly the data we looked at from the census did show that there was quite a flow of people from Canterbury-Bankstown along the rail lines obviously into the CBD—there was a connection there. But, of course, that is not necessarily where all those low-income jobs are, and the further out you go the more difficult it is to get in: it costs money and it is particularly difficult.

We all know that once you have to change a bus or a train that is a real disincentive. I think the Transport Act, whatever it is called—modal change or modal shift in the transport thing, and I do not want to get too technical there—says it really is a deterrent. The issue clearly is that there is a problem emerging there. The extent to which it is a real problem we can only surmise. It is difficult to get to this stuff without talking to people directly through household surveys, and that is expensive, people do not do that any more. So I think the

logic of your argument is correct, and I think the evidence suggests it is correct. I will say no more than that, but I think we do have a problem there.

The Hon. TREVOR KHAN: I know we are short on time so let me ask you one final question. We have talked in terms of 20-year plans of more community housing—or you have. Let us talk about the next two to three years. I think the Australian Chamber of Commerce and Industry today has predicted that unemployment rates within the next, I think, 12 months will rise not to 7 per cent but to 9 per cent. It seems to me that what we are therefore talking about is a huge number of more people in New South Wales being unemployed. On the basis of your figures we potentially see a large number of people who are currently in housing stress, particularly amongst the purchaser group, moving from stress to distress. How do you see us coping with such a significant change in our employment rates, which have been relatively stable for so many years, into what seems to be a bit of an economic disaster?

Professor RANDOLPH: You are absolutely correct, we do not know where unemployment may go, but it clearly is tracking up. The Federal Government is making it quite clear that we are being warned about that. There is almost inevitably going to be fallout in the home ownership market. I do not think we can get over that. People will get squeezed and there will be backsliders where people fall out and go back into—I do not know what they will go to because the supply of rental accommodation is pretty tight—but they will be forced out of home ownership.

I have no idea what the numbers might be—your guess is as good as mine. There are policies which government, Federal and State, could introduce to support homeowners when they are going through periods of economic difficulty. In fact, we have got another AHURI project we are in the middle of at the moment looking at those issues. So watch this space, we will have some results to show you. But I think there are policy options to support people and I think the Federal Government has moved with the banks recently this week to give people repayment holidays.

It is inevitable; that has to be the case. We must have a much more flexible understanding of how people can move themselves out of difficulties if they are provided with assistance. Government has become more sophisticated about that and we are now thinking outside the square about those issues. There will be policy measures to support households in stress with home ownership to stop them falling out. No-one wants that to happen, least of all the banks and other lenders, because it is a nightmare trying to sell housing in a dead market.

The other side of the rental coin is more difficult. If you have a job and you become unemployed, under the current system you will get rent assistance. That is a positive benefit of becoming unemployed. The trouble is that rent assistance does not help in high-rent areas—and Sydney is pre-eminent in that regard—because it is a very limited subsidy. There will be grief on that side of the coin as well. I do not know whether or not the stimulus package will make a difference. It is supposed to deliver 6,000 rental homes in New South Wales in the next three years. Good luck to them; that is going to be hard to do. It may make a difference.

Of course, the question of where those homes will be is critical. At the moment developers have two products on the market. One is on the fringe and the other is blocks of flats being developed in a range of locations that may or may not be appropriate for low-income households. Hopefully they are. So there will be some supply side response coming forward. However, the problem with relying on a market solution is that no-one really wants to invest in low-income housing without significant government support or underwriting. That is the policy conundrum we have at the moment. We have been relying on market solutions for 10 or 20 years and they may be found wanting in the next three, four or five years as we move into a very different situation.

The Hon. MICHAEL VEITCH: Earlier we talked about the role of planners. I suggest there is a community perception that low-cost rental has a nexus to pockets of disadvantage. Is that a fair perception?

Professor RANDOLPH: That is fair. We have done research in this area and it shows a clear link between low-income rental and pockets of very high disadvantage, which has nothing to do with public housing estates. One of the interesting developments in Sydney, Melbourne and one or two other big cities is this growth in a disadvantaged community essentially relying on the private market. We have very few policy measures for planners to address that. Bringing planning policy and housing policy together in the next two or three years will be critical. Whilst most housing policy is driven by the Federal Government at the moment, planning policy is a State concern. I would very much like to see the Planning Minister and the department involved in this issue of how we use the investment coming into the system from the housing policy side to address some of those pockets of disadvantage in the private market.

If you go to Cabramatta and Auburn you can see concentrations of low-quality homes and very high disadvantage. Think about what they will look like and how they will function 20 years down the track if nothing is done. Government will have to deal with that at the end of the day. We do not want the Detroit model where people just walk away. Of course, we have different dynamics in Sydney, but the housing market is still under pressure. However, we do not want places abandoned and destroyed as has happened in some American cities. A bit of sensible policy now might save money and grief down the track. That is my bottom line. Exactly what that means is another thing altogether. Planning has to be a key part of that solution.

The Hon. MICHAEL VEITCH: The next nexus people draw from the pockets of disadvantage is the creation of non-cohesive societies. What would you suggest we put in place for planners to assist in creating cohesive societies? What are the key elements?

Professor RANDOLPH: The big difference in areas of public housing disadvantage and private housing disadvantage is mobility rates. Clearly, if we have a very strong rental market there is a big turnover. That does not help cohesion. The other thing to factor in is the fact that nearly half of the households in low-income areas in Sydney have children. Again, that is something to bear in mind: Families are an important component. Mobile, non-cohesive environments are not a good thing for young families.

The issue is how you might introduce some stability. We have been doing work on what you might do in those low-income private areas to retool and redevelop them. Again, it is not difficult to work out solutions. A not-for-profit investment in those areas might help to stabilise populations. Offer long-term affordable and appropriate housing for those families that are otherwise churning in the private rental market and falling in and out of the low end of the home ownership market.

The Hon. MICHAEL VEITCH: Do you think the not-for-profit sector has the capacity to do that at the moment? What would be needed to assist it to play a greater role in low-cost rental?

Professor RANDOLPH: That is a very good question. I think we are nearly there, but not quite at the moment. In New South Wales we have six growth providers that have been designated and pumped up over the past two or three years with management of stock. They are now rapidly moving into a development phase where they are looking to take advantage of the National Rental Affordability Scheme. I think we are at the cusp. There are other providers who could play that role. They are church-based—

The Hon. MICHAEL VEITCH: Faith-based organisations?

Professor RANDOLPH: Yes. Uniting Care and Mission Australia are interested in affordable housing. They have capacity and development experience. Over the next two years we will have a not-for-profit community housing sector in New South Wales that functions with those skills on board. The Housing Minister needs to make an effort to get that capacity in place. It is certainly on the cusp. I sit on the board of a community housing organisation that is one of the growth providers. We are faced with a huge learning and growth curve. Swallowing all that in a short space of time is causing stresses and strains in the system. We have a little way to go, but we will be there.

I hope the Nation Building stimulus package will be used in some way to support that capacity building in the not-for-profit sector. At the moment the model in New South Wales appears to be that Housing NSW will take on board all the development and purchase and then hand over the stock at some later date. I would like to see a proportion of that—if not immediately but in the second phase of the rollout—handed to the not-for-profits to help them to develop that capability and the ability to deal with private finance before the stimulus package is dissipated over the next two or three years. It would be a major step forward to build that capacity.

The Hon. GREG DONNELLY: As we all know, massive value has been wiped off the share market. I have not looked at the loss of value now compared to historic losses. However, it could be argued that the mum and dad investors have had their fingers burnt badly as a result. Do you believe that that will naturally draw them into looking afresh at the idea of investing in housing? I am trying to get your opinion from a historical point of view. Do you think the scope of the crash will see a move back into investment in property?

Professor RANDOLPH: That is a big question. I think the answer is probably yes, there will be a shift back. As we have seen in the past, that is what happens.

The Hon. GREG DONNELLY: I am asking you to look into your crystal ball. Do you think we will see a real draw back into investment?

Professor RANDOLPH: The difference now is that we are not looking at the capital growth scenario that people went for. In the past decade or so investment in property has been about capital growth and capital gains. You buy and the price goes up and you make your money that way. That equation has changed and it continues to change. The housing market is still soft. If I were a potential rental investor, I would be very careful where I put my money. Another issue we have looked at recently is the price changes in new flats. We have a big interest in the high-density market in Sydney and we have done a lot of work in that area. If you were to chart the resale prices of newly built flats over the past two or three years you would see a significant drop in their value. If I were an investor, that would be the last thing I would be looking for, unless I was looking at a long-term stake in that market. If so, I would be hoping that once everything settled down the price would start to rise again and get back in line with incomes, which is historically what house prices have been aligned to, and we would see capital growth there.

Again, my understanding is that the mum and dad investor is not terribly sophisticated. If I wanted to buy a rental property I would not really know what I was doing. It is not a perfect market in that sense; it is a very lumpy market. My personal view is that we will not return to the old days of mums and dads piling into the market after going to spruiking sessions and buying flats on the Gold Coast without even looking at them and so on. We have a long way to go before we reach that stage. Because people have been burnt in the stock market several times in the past decade and probably in the property market, many small investors are wondering what to do with their money. They might think about investing in gold bars or Bucatis.

I think we are in a different phase. Of course, we have been told that we have not yet felt the worst of the global downturn. That will undoubtedly have an impact on yields in the rental market. You cannot push rents up so far if people cannot afford it. That is one of the reasons that rents have not been terribly buoyant over the past decade or so. The market has not been able to take the rent rises needed to make rent an attractive return on capital value. I do not know; I think we are in a different phase. But that gives government an opportunity to change the dials. While everybody is wondering what to do next, government could think long term, change the dials and shift investment patterns towards a more long-term role for the funds that until now have gone into the private rental market. It could divert them towards a more secure and strategic investment pattern. That could be housing bonds or getting the institutional investment sector involved in some way.

The Hon. GREG DONNELLY: Are you explaining that macro setting as essentially a Commonwealth, State or combined role? Is there some scope for State involvement?

Professor RANDOLPH: The way things are set up at the moment, it is predominantly a Federal policy issue. There are two sides to any market: supply and demand. The demand side at the moment is mainly a Federal issue. It is about taxes, subsidy levels and housing policy at that level. However, the supply side is much more in the remit of State governments to have an input. State Government has a key role in the supply of new affordable housing and in the planning system. For example, we have the SEPP 10 planning arrangement, which is an attempt to retain low-income affordable housing in high-cost areas. I think that is a daft policy.

I live in Lewisham, which has a lot of SEPP 10 boarding houses and they are slums. Why are we retaining slums in the system? It is grim stuff. I would prefer to see that stuff taken out by the not-for-profits. That has been done in other countries and it has worked pretty well. They have good quality accommodation that is well managed. I am not saying that many boarding house managers do not do their best. However, it is not a good business to be in. The State Government has real powers here. It has the ability to work with the planning system to support and facilitate affordable housing.

We have been promised an affordable SEPP for sometime in New South Wales. I am told there is one lurking in the bowels of the system somewhere but I have no idea what is in it. There are all sorts of levers the State can pull on the planning side to support the provision of affordable housing. Including zoning is one key thing, the developers hate it, but it has worked quite well in other countries. The United States of America has used that quite extensively in some of their big cities to facilitate affordable housing roll-out but it is matched with the subsidy to purchase the homes that the inclusionary zoning requires. It is the same in the United Kingdom there is the inclusion of inclusionary zoning in the United Kingdom but of course there is a subsidy system which purchases the homes off the developers so, in a sense, you get market value for those homes. I think we have not had that link in this country.

The Hon. GREG DONNELLY: Can an argument be advanced that essentially the analysis that we been exposed to today validates the issue of being very large city, or capital city centric. in terms trying to deal with affordable housing? Of course, we have to bear in mind that a lot of people express a preference to live in large cities or capital cities, as the case may be. Additional or alternate options or opportunities to build more affordable housing, and getting better value for money for the public dollar in being able to put houses on the ground, to use that phrase, can the argument be advanced that there should be a greater scheme towards the building of public housing outside these areas where there is such a cost or price pressure in regional cities? That brings up the old chestnut of decentralisation and all related matters. Surely in the context of looking at State affordable housing some particular focus should be given to provide it outside large cities?

Professor RANDOLPH: There is obviously a value for money ligament there. I think you are getting to the issue of should we have a national or State settlement policy? We went through this sort of new change idea in the 1970s with Albury-Wodonga and places like that.

The Hon. GREG DONNELLY: Yes.

Professor RANDOLPH: It did not work then for all sorts of reasons, I suspect, partly it was the wrong time and partly because the policies were not followed through particularly well. So you could devise a new decentralisation policy but a lot of that would require jobs to go there. The last thing you want to do is build ghettos in Dubbo—sorry, we have had problems in Dubbo, maybe Dubbo is the wrong place. There you go, need I say more in a sense? The evidence is that the affordability problem is not in those areas. There are sufficient low income or low-cost homes, and the Department of Housing has plenty of homes in those areas, which it probably would like to get rid of because the demand is not there. It goes back to the issue of bringing a new planning system into the frame. If you want to do that then you have got to think very carefully what that means in terms of jobs, services, support, the populations you are putting there—

The Hon. GREG DONNELLY: Transport, et cetera—

Professor RANDOLPH: Yes. The counter, of course, is that if you put cheap housing in cheap areas you end up with even more polarisation than you have got at the moment. My fears about the stimulus package is that a lot of the properties that are going to be bought in the mad rush to buy stuff will be in places which have poor transport links out in the sticks, new release areas, where those families will be stuck because they cannot afford to have a car, they cannot afford to have two cars because that is what you need to exist in those places. I think there are some real sensible questions to be asked about where do we need affordable homes? Yes, we do need them to replace some of the bad quality homes that are out in the suburbs, do it in the suburbs, but we also need a quota of affordable homes retained or increased in the city somewhere to address that labour market problem. If you want to get care workers in Woollahra where do they live? They are not paid well and they work shifts. This is a key issue. It is not about socialism or anything like that, it is about where does the lady you need to run the city work, where do you want to put it, and where do they need to live? Unless you give them free transport—that might be a solution, subsidised transport—but then there is a life balance there. If they have kids they have to get them to school, all those sorts of things.

CHAIR: Thank you for giving your time. It has been very informative. The committee will send a number of questions on notice, which it asks you to reply to if possible.

Professor RANDOLPH: Yes, thank you and on behalf of my colleagues who are the people working on this all the time, we are grateful to have a chance to tell somebody else about it.

(The witness withdrew)

KARINE SHELLSHEAR, Executive Director, Association to Resource Cooperative Housing, Post Office Box 562, Darlinghurst, and

ROB BUCHANAN, Senior Project Officer, Association to Resource Cooperative Housing, Post Office Box 562, Darlinghurst, and

JOHN MANT, Patron, Association to Resource Cooperative Housing, 26B Caledonia Street, Paddington, affirmed and examined:

CHAIR: Do you want to make an opening statement?

Ms SHELLSHEAR: I will make a brief statement because there are a lot of questions just to give you a picture of the cooperative housing sector. We thank you very much for, and appreciate the opportunity to represent the cooperative housing sector. The cooperative housing sector is a fairly small part of community housing. We are part of the community housing sector. We have 362 dwelling units across New South Wales, mostly in the metropolitan region. About 50 per cent of our cooperatives are from culturally and linguistically diverse communities. We also have a number of cooperatives that are from physically disadvantaged backgrounds. The cooperative sector is really representing cultures of different kinds but cultural communities with people who wish to come together to help themselves to engage in an enabling form of housing. That is a small introduction. Probably the other key feature is that cooperative housing has existed over 20 years in New South Wales. We are currently in the process of working with government and our sector in looking at a new strategic model for the whole sector that will revamp cooperative housing and place it in a very different and modern light in the future. We would like to be able to talk about that in detail in response to some of your questions.

CHAIR: Would you define "cooperative housing"? What are its essential elements? How is it distinct from other types of social housing? What are the key advantages of this model?

Ms SHELLSHEAR: A cooperative is a democratic self-managed organisation. The cooperatives are owned in terms of their shareholdings and controlled by the people that they serve. The members come together for a common purpose and benefit such as access to secure affordable housing. They abide by the principals of international cooperation—please do not ask me what they are, I have not got them with me but education and cooperation are the prime ones. What distinguishes it from other parts of social housing is it is the only part of the social housing system where tenants play a very active role in their housing. In the early days they used to choose their housing, actively take part in the design of their housing. We have moved a long way since those days with economic issues.

What remains with cooperative housing is a very high level of tenant member participation. So tenants elect other tenants as directors who run the cooperative, manage the business, select and allocate tenancies, look after the finances, the assets and the tenancies. They have access to training from the Association to Resource Cooperative House [ARCH], which really focuses on how do we do this well? How do you participate in running your cooperative well? The main focus of our training has been around tenancy management, asset management, management with governance and yourselves as an organisation and also managing your money. So those are probably the four key pillars of running the cooperative housing business. In addition, we have also set up a social housing education programme in Certificate III and IV for not only cooperative members but also for any tenant right across the social housing spectrum that wishes to participate.

Dr JOHN KAYE: Are you a RTO?

Ms SHELLSHEAR: No. We are in partnership with an RTO. We are in partnership with TAFE South Australia that provides a national program, which is also more economical. The definition of cooperatives is that they are human institutions. Probably our key focus is on the people, and an enabling model—I know it sounds a bit cliché—but our workers, such as Robbie, Melinda, our team really focus on the tenants. We look at ways of enabling the tenants to understand the housing business and be able to do it themselves. So it is very different from a welfare model where you are a recipient of your housing. In this instance cooperatives are very much active in all the decision-making around their environment.

Another aspect that distinguishes co-ops is that they operate as communities. Because they are together as an economic bond and bind, they have to work together. They have to make decisions together. They look at issues of allocations, policy development, all the running and management issues. With the kind of communities that come together, the extensive research we have recently undertaken shows that there are also very high levels of social capital. We have some research to provide you with if you are interested in that area. We find that high levels of social capital, greater areas of functionality, housing integrates better into the community, much less disfunction than, say, in other forms of social housing. Houses are taken care of a lot better and the costs that are incurred in the maintenance and upkeep are a lot less as well. They are cost-effective vehicles of housing provision. As for key advantages, I will just summarise from the Victorian model that had four key points. They provide affordable housing to low-income people eligible for assistance, they delivery quality housing outcomes for the vast majority of tenants, they provide a range of additional social benefits to participants and they remain the least subsidised and most efficient part of the social housing program.

The Hon. TREVOR KHAN: In terms of the structure you have, do I take it that the members of the cooperative, in occupying a dwelling, pay a rental?

Ms SHELLSHEAR: Yes.

The Hon. TREVOR KHAN: How is that rental determined?

Ms SHELLSHEAR: The rental has been based on 25 per cent of income but that is currently changing so that we are looking at charging market rent but so that the tenant is charged no greater than 25 per cent of income. So the market amount is subsidised by Commonwealth rent assistance. If that market, with the subsidy, becomes higher than 25 per cent, then it is reduced down to an affordable level.

Mr BUCHANAN: They have to abide by the Department of Housing rent policy. It is exactly the same as any other form of social housing.

The Hon. TREVOR KHAN: So there is no advantage or disadvantage in terms of the rental cost?

Ms SHELLSHEAR: The main advantage is that they get Commonwealth rent assistance. Other parts of the social housing system do not. Public housing does not. Community housing does.

The Hon. TREVOR KHAN: Let us suppose you have one of these cooperatives and for whatever reason—I take it that part of the capital that supports the cooperative housing model either comes from a State or Federal Government grant of some sort?

Ms SHELLSHEAR: Yes. Originally it came from tied grants from the Federal Government which went to the State, and all the co-ops are capital funded. New South Wales Housing owns stock.

The Hon. TREVOR KHAN: If a cooperative fails for whatever reason and is wound up, what is the asset of the cooperative?

Ms SHELLSHEAR: The asset usually goes to another like organisation when it is wound up.

The Hon. TREVOR KHAN: How is that determined?

Ms SHELLSHEAR: It is usually determined by the department. It is usually determined by the community housing division of the department, and they will negotiate with a provider that they see as suitable for taking on that co-op. However, in a future model we are looking at being able to implement something very similar to the Victorian model where the co-op stays under an umbrella of cooperative housing but has much more intense management and secondary services that virtually take over the management either until the co-op is able to kick into gear again or even on a long-term basis where you have very ageing members.

Mr BUCHANAN: In their rules of incorporation the articles state that the assets do not go to members in any way, and the assets are transferred to a like organisation.

CHAIR: But the members of the co-op would have a say in that like organisation in discussion with the department.

Mr BUCHANAN: Historically it would be more the department deciding who the suitable provider would be who would be taking them over. If there are maintenance requirements then any moneys that are held by the co-op would be used for that. The rest of it would be regarded as surplus money and would be given to the department.

The Hon. TREVOR KHAN: Have there been many instances of cooperatives failing?

Ms SHELLSHEAR: In the last number of years where performance-based registration has been introduced we have had about half a dozen co-ops that were not able to meet the very high standards that were provided under performance-based registration. However, we should also say that more than 80 per cent—about 86 per cent—were able to meet those standards and that half of that 86 per cent actually met that standard at an A grade, the highest grade. The others met it at a B grade. The co-ops that failed, for want of a better word, some of them there were major cultural barriers to their being able to perform, for example, a Tongan co-op being used to an oral tradition and not understanding the requirements of having transparency in note keeping or in administration. It was very difficult for a co-op of that nature to be able to keep up with the administrative requirements of transparency that it needed to perform under the new system.

Mr MANT: But otherwise successful?

Ms SHELLSHEAR: Otherwise successful.

The Hon. TREVOR KHAN: I am not being critical.

Mr BUCHANAN: It was interesting that the ones that did fail all received As virtually in all areas of financial management. There was so much surplus moneys and well kept finances and no rent arrears but it was more administration that they just could not do.

The Hon. MICHAEL VEITCH: My question is more to do with corporate structures. Which legislative framework do you operate under? Is it incorporated associations or the Co-operatives Act?

Ms SHELLSHEAR: The Co-operatives Act.

The Hon. MICHAEL VEITCH: Do you also have charitable status or EBI status?

Ms SHELLSHEAR: Yes, most of the co-ops have charitable status or are eligible for charitable status. They are incorporated under the 1992 amendments to the Co-operatives Act. When I speak about registration, they are registered under the Co-operatives Act but they are also registered under the new performance-based registration required by the community housing division of Housing New South Wales.

The Hon. MICHAEL VEITCH: What is the board structure? Individual tenants obviously carry a vote to elect people to the board of management?

Ms SHELLSHEAR: Yes. Each co-op has a board and that board is elected by the tenants. We provide training to those boards in governance and in the business of running housing. Tenant members, our co-ops, then can elect a member who sits on the ARCH board.

The Hon. MICHAEL VEITCH: How do you overcome some of the cultural issues around the governance obligations under the Co-operatives Act? You were talking about the Tongan cooperative as an example. How do you overcome some of those issues around transparency and accountability?

Ms SHELLSHEAR: Most of the cooperatives that are still operating now—there are 35 cooperatives—are all cognisant of what is required of them and able to communicate or have translators who are able to assist them. For example, we have an elderly Vietnamese co-op, one of our most successful co-ops, but they have very good communicators on their behalf working with them.

The Hon. MICHAEL VEITCH: My final question relates to the auditing process. You mentioned some had quite significant reserves. What is the auditing process? Is it a manual auditing process?

Mr BUCHANAN: They provide annual audited returns both to the registry of co-ops and to the Department of Housing. So part of their audit report to the office of community housing forms the data which is part of the ongoing performance-based registration so they have to provide yearly audited reports.

The Hon. MICHAEL VEITCH: Who undertakes the audit? Are they a registered company auditor?

Mr BUCHANAN: Independent auditors.

The Hon. MICHAEL VEITCH: But as a registered company auditor or as a qualified accountant?

Mr BUCHANAN: Even though the registry of co-ops has allowed them to use accountants, which cuts down the cost, unfortunately the Department of Housing requires different forms of auditing so it needs to still be done by registered auditors.

The Hon. MARIE FICARRA: How do you see your model of cooperative housing fulfilling a greater need for low-cost rental housing? How do you see your model fitting into the challenges that the Department of Housing will have to face now?

Ms SHELLSHEAR: I think cooperative housing has been ahead of its time in that respect in that we are always attracting people who did not fit into the rental housing market, could not afford to buy housing, so we are looking at an option where they could contribute and also not be seen as part of welfare because they were playing a very active role. We have recently had people out from the USA and people out from Sweden last year—Brit Martinson came from Sweden and John Davis from the USA—and both of them point to the potential of being able to utilise your capital in a very different way so that you have shared equity, mixed equity models that are able to assist and mobilise as well the social housing elements of your cooperative housing system. In places like northern Europe, North America, South America, parts of Asia, the Netherlands and the United Kingdom, cooperative housing is very, very big. It has been going since World War II, and is a highly stimulated and accepted part of the social provision system. I think in Australia we have just been a bit slower.

Mr MANT: I think the problem with Australian housing policy generally is that it has been very much under the sway of the large public housing organisations in each State. Generally the Commonwealth department of housing was an organiser of public housing organisations so there was a great deal of connection between the public servants in Canberra and those people who ran the big public housing organisations. I like to say that housing policy at the State Government level and at the Federal Government level is essentially policy about the building industry and the public housing industry. As a consequence, of course, these alternative ways of providing housing have been forgotten or not taken up. The other problem with that is that there has not been a body of intelligence at the State or Federal level that has looked at housing policy in the broad, particularly the consequences of tax policy on housing.

One reason we have a problem with affordability is because homeowners, particularly those who have paid off their mortgage, have huge tax advantages. Therefore they are able to pay much more for housing space than renters. Therefore, we totally over-consume housing at the top of the market, leaving nothing for the bottom of the market. Recent figures have shown that a third of three- and four-bedroom houses have one person living in them. That is just a distortion of housing space. We do not have a shortage of housing space; we have a gross distribution of housing space because the tax system rewards home ownership and hanging on to home ownership well beyond when you need that much housing.

So, one of the reasons we have to keep subsidising the bottom is that we are heavily subsidising the top. One of the reasons we have got ourselves in this state is that there is not a body of intelligence in government that looks at housing policy across the whole spectrum, both on the demand side, which is the tax side, and on the supply side, which is how do we then deal with affordable rental housing. Some years ago I did a major report into the public housing organisation here trying to split the provision of public housing from the organisation that provides the housing policy. As a result of that split we did get a very substantial increase in community housing because there was, for a while anyway, an organisation whose job it was to think about, "Well, there is public housing, but what other ways can we deliver social housing?" I am pleased to say that the current people running the Department of Housing, although they are dealing with all of the ways of delivering public housing or social housing, are pretty sympathetic to increasing the role of community housing and cooperative housing. So, there has been a big change in their attitude in the last couple of years.

The Hon. MARIE FICARRA: On that point, what would you like to see from government to increase the proportion of cooperative housing? Ideally, what sort of recommendations would you like from this Committee inquiry?

Mr MANT: Well, I have to say that we have had some very productive relationships with the department over the last year. In Victoria they moved some time ago to set up a central body to manage cooperative housing.

Dr JOHN KAYE: Within the department?

Mr MANT: No, a separate and independent company. That is a model that has worked now for some 10 years I think. It manages a great deal more houses than we have in this State, and has worked very well. Essentially, it is a cooperative—it is a company actually, but it is like a cooperative holding company with cooperatives renting from a holding company. The holding company has the titles—this is the key issue—to those houses, which it then rents to the individual co-ops. The individual co-ops pay around 50 per cent of their incomes to the central body and keep the balance to do day-to-day maintenance and to pay the rates and so on. This gives the central body an income stream. Then the central body has both title and an income stream. The consequence: you can borrow, and they have. So you can engender growth without the department having to be involved.

From the department's point of view, it is great because it only has to control and regulate the central body because the central body then regulates the co-ops, and the central body is paid by the co-ops to do the regulation. So, from a public point of view it is excellent. From the growth point of view it is excellent because private money can be attracted and surpluses can be used to grow the stock. Of course, it depends a bit on the terms on which properties are transferred to the central body. The Victorians have paid some amount for those properties. The proposal here is that the transfer would be without payment, but that is the model we are moving to. Really, we would just like this Committee to say, as you understand what is happening, that you think it is a great idea.

Ms SHELLSHEAR: If I could add a little to that. I think that that capacity to hold the equity then provides leverage to be able to multiply in a very effective sense. Also, the fact that you have some level of social mix means that you have a level of cross-subsidisation and greater security when you are going to the banks. We have just had two co-ops take out major loans—about to take out loans with CBA. They looked at their track record. In this instance the co-ops had actually accumulated sufficient surplus to purchase land. The fact that they had equity meant that the bank was happy with the level of equity they had; it could form on something. They also looked at the track record of virtually no arrears, and that stood in their favour. So, that was a small hologram of the potential of this broader holding company and its capacity to expand. The Victorian model has been around, well, originally longer than New South Wales, but this particular model for the last 10 years. They have just under 2,000 dwelling units whereas we have 360.

The Hon. GREG DONNELLY: You have just answered one of my questions about the number of dwelling units in New South Wales. What interests me is the dynamic that operates to bring people together to participate in a cooperative structure in the first place. In other words, let us look at the growth model that operates in Victoria, which you are advocating. What is the process of bringing people together to coalesce to want to come into a cooperative and work together in a cooperative structure? With respect to your organisation, do you have a role in that whole process?

Mr BUCHANAN: I think historically it has been that the Department of Housing has had specific target groups that it has been looking at for forming cooperatives. So, they might say in one particular year they had target groups who are in need of housing, people from a non-English-speaking background, people who might be escaping domestic violence, those sorts of groups. So, groups have automatically got together because they have been in support groups for that particular purpose. That particular role will still stay with the individual cooperatives. I personally do not see that as a role for the company structure to be involved in. What the company structure would be doing would be assisting those groups to learn what it is to become a cooperative and what the management responsibilities would be once the cooperative was formed.

It is not always easy because people are looking for housing. They are not particularly interested at the start always whether it is going to be cooperative housing, public housing, a housing association, church housing, whatever. All they want is a roof over their head to look after their kids and themselves so they can get on with their lives. I think once they have actually realised, "Hey, I'm in a cooperative and I can actually

determine some of the aspects of not only the roof that I've got over my head but the environment that I live in. I can call on my neighbour to look after the kids while I go to TAFE to do a course." Or in the same way Karine was talking about the Vietnamese co-ops. They never go into nursing homes. They never get Meals on Wheels. They would be horrified to think that they would have an elderly tenant member living next door to them who they would not be cooking food for. It is just not done.

There are so many social aspects of cooperative housing that I do not think people realise when they first join the co-op. I think they join it because they might be in a particular target group and they might also be in a group that has been together for a number of years. We have co-ops where they were escaping violence in South America under dictatorships and they came here as refugees. Obviously, they did not know each other when they first came to Australia, but because of the support groups they did form a close association. From that they heard about cooperative housing because cooperative housing in Chile is the done thing. So they would then move and find out about cooperative housing in Australia and that is how that would happen.

The Hon. GREG DONNELLY: In the establishment of a new cooperative surely there needs to be, correct me if I am wrong, a nub or a core of people who are brought in in the first instance to get the whole thing going, if I can use that phrase, and then you leverage off the commitment of those people to the drawing in of others to form part of the structure and then it goes from there. Is that not how it works?

Ms SHELLSHEAR: I think it does. I think probably what brings people to housing cooperatives is the economic benefits, but also that they have a common interest with each other. Usually it is self-selecting. We usually get a group of people who come to us and say, "Look we're a group of elderly Vietnamese." But the driving force is the economics; this will work for their small community. I think the other things that move towards it are that they have common language, common culture, common values and common beliefs. That crystallises that internal bonding, and that they care for each other in a simple sense to begin with and then in a more meaningful sense once they are living together—not necessarily under the same; it can be scattered, but they still have a strong bond with each other. The other thing that keeps them together is that they need to keep reporting on how their cooperative is being managed, how it is doing, how the finances are going et cetera. One of the questions in our research was: Were they altruistic to start with or did they become altruistic after they had been in a co-op? We did not get a clear answer: It was a bit of both. Definitely, it draws people in who care about other people, but that grows as well once they are in there.

The Hon. GREG DONNELLY: Do you suffer from the free-rider effect where you might get someone in who says, "Listen, I'm really committed to this idea. It sounds wonderful. It's almost a dream come true" and then you find they are happy to enjoy all the benefits of the arrangement—and it appears from your evidence that there is quite a bit to benefit from the arrangement—but really their put-in is not that much? How do you deal with that?

Mr BUCHANAN: That is a really ongoing problem. Unfortunately, you are dealing with two different legislations. You are dealing with the Residential Tenancies Act, which each tenant has, which does not have anything in it about participation. They have membership rights under the Co-operatives Act. So, you can take their membership away from them, but they still have their property.

CHAIR: If I could be so bold as to suggest that it would be a problem of every organisation, and Parliament is not excluded.

Mr BUCHANAN: It is. The CTTT or the Department of Fair Trading, in South Australia, allows amendments to the Residential Tenancies Act to be included so that there is some form of annexe that talks about participation. I always say that participation can be a lot of different sorts of things.

The Hon. GREG DONNELLY: It does not just mean going to meetings?

Mr BUCHANAN: Yes. I live in a co-op of 55 people. We would not want everyone attending a meeting every day. You would never get through the agenda. There are some cases, as I was saying earlier, that the older person might look after the kids so that somebody else who is younger can attend the meeting and do functions like that. The short answer is you try as hard as you can and peer pressure sometimes makes them feel, and in the end they say, "Well, they're paying their rent, they're not causing any problems and the property is being well looked after." That is less of a problem than somebody who is not participating, not paying the rent and causing huge problems.

Dr JOHN KAYE: I preface my question by saying that my experience with co-ops was in the United States as a student, where the co-ops of the university I attended were the major way of providing student housing, and they were incredibly successful. That leads me to ask: How close does the entity of interest have to be in order for a co-op to be successful? Does it really have to be elderly, Vietnamese, or whatever?

Ms SHELLSHEAR: No.

Dr JOHN KAYE: Can it be a broader identification? Obviously, how tight that identification is will create barriers to the growth of the co-op model.

Ms SHELLSHEAR: Your co-op would probably be very diverse.

Mr BUCHANAN: Yes, a lot of co-ops are just general. My particular co-op houses only single people, because we are bed-sits. They can be any age, any gender, any nationality; so it is a non-specific group. Our type of group is just single people in need of housing. So there is not an overall—sorry, what was the term you used?

Dr JOHN KAYE: Community of interest or identity of interest.

Mr BUCHANAN: Yes. Their identity of interest probably is to provide safe and secure housing.

Ms SHELLSHEAR: Ironically, the community of interest came in response to the policies that demarcated to whom the funding would go. Once the funding said, "We will only house cultural groups" or "We will only house people with disabilities", we got people coming to us saying, "Well, we have a disability and we would like to be housed as a community".

Dr JOHN KAYE: Is it correct that in the United States, for example, a lot of co-ops other than the student co-ops exist because people have an interest in the particular housing type. Some co-ops are more communal in structure and people join those co-ops because they like that sort?

Ms SHELLSHEAR: Yes, that is absolutely right. I cannot speak for the US, but there is an element that people want to be active. They want to contribute, they do not want to feel that they are just a passive recipient. They want to give back. A lot of people who come to cooperative housing actually want to give back to the community. We find that people are not only giving within the central community but they are starting to do things for the external environment as well.

Putman picked up very much on defining social capital. He talked about bonding that happens within, but then about the social benefit to the broader community when you get a giving happening externally. We have co-ops who grow vegetables, which they give to the church. They give their excess to people in the whole community. Or, for example, artists will do work for the council in putting up an exhibition and feeling part of the community.

Dr JOHN KAYE: That is: altruism breeds altruism.

Ms SHELLSHEAR: Yes.

Mr BUCHANAN: If you look at the Student Housing Co-operative at Sydney University, known as STUCCO, and compare the way that co-op works with other forms of Sydney university housing, just through the performance-based registration, performance number three is how the organisation relates to its community. STUCCO has 10 pages of things that the tenants and the members of the Student Housing Co-operative do with Sydney university. How they participate within their community compared to Sydney village, which has no community structure at all; all it is, is just housing. It is quite incredible.

Dr JOHN KAYE: Cooperative housing is now less than 0.1 per cent of the total number of units in housing. Do you see it growing to any sizeable percentage?

Ms SHELLSHEAR: It requires the volition for that to happen, first of all the political volition, the will from government to say that that is what it wants, it wants that to happen, and it wants it because it wants

diversity, to give people choice, it wants options for people who are in housing need. It is also closely linked to supply.

Dr JOHN KAYE: Suppose that magically we could get the Government to do that, that that is what this report will do. That would require number crunches and financing and so on. If that happened over a 10-year period, where would you see cooperative housing going? Would you see it becoming a major player in the social housing sector?

Ms SHELLSHEAR: I think it could. Potentially it could, but I do not think it will ever be a huge chunk because we are well behind in time. I think it could be a much larger part of community housing. It is really a very small part of community housing right now, but if we look at Victoria, that is a perfect example where the Common Equity Rental Centre [CERC] model is one of the biggest housing providers in Victoria. It is now bidding for major funds. Because there are only four people in the Association to Resource Co-operative Housing [ARCH], we virtually utilised all of our capacity in getting 26 dwelling units up through the National Central Affordability Scheme [NRAS].

If we were a broader, mobilised structure, a company that could operate as a development unit, and partner with private enterprise as well as government as well as our sector, we would be able to quadruple the capacity to grow. That capacity has the infrastructure, the skills, and the building blocks have to be there, in order to be able to multiply.

The Hon. TREVOR KHAN: Quadruple the capacity to grow over what period?

Ms SHELLSHEAR: Over a 10-year period.

Mr MANT: Dr Kaye, I think you were suggesting that besides providing subsidised social housing—and my dream is that cooperative housing play a much bigger role in shared equity or full equity. We organised a couple of large privately owned cooperatives in Canberra that built two housing estates that were of quite different design and in nature than the normal Canberra suburban design. That was a situation where the people in the cooperative decided how they wanted their suburb to be designed rather than some planner in the authority. My hope would be that once we get this company structure up, that in time it could also get into all sorts of other ways of delivering more affordable housing that is better designed than being either in a subsidised house or in a project house.

CHAIR: Thank you for attending today. The Committee may send you some questions on notice and would appreciate if you could respond to them.

(The witnesses withdrew)

(Short adjournment)

ALISON PETERS, Director, Council of Social Service of New South Wales, and

WARREN GARDINER, Senior Policy Officer, Council of Social Service of New South Wales, affirmed and examined:

CHAIR: Would you like to make some opening comments before we commence questions?

Ms PETERS: I think our submission speaks for itself, so we are happy to take questions.

CHAIR: Could you briefly describe your perceptions about the level of need for low-cost rental accommodation in New South Wales?

Ms PETERS: Very briefly, I think it is fair to say that NCOSS believes there has been underinvestment in low-cost rental accommodation in the last several decades. While there has been investment in rental accommodation, it has tended, more recently in particular, to be pitched at the mid- to high-income earners. This has had a twofold effect: one of reducing the sheer number of low-cost rental accommodation that is suitable for people on lower incomes, but it has also caused a displacement effect where higher income earners are displacing people in what have traditionally been lower-cost rental areas, causing them to have to relocate elsewhere. In short, we believe that there is a need for low-cost rental accommodation.

The Hon. MARIE FICARRA: Your submission states that the National Rental Affordability Scheme requires further enhancements. What does NCOSS think these further enhancements should be?

Ms PETERS: I will pass across to Warren on these issues. Warren is our expert at NCOSS on these matters.

Mr GARDINER: I think what we have said is that the arrangements for NRAS should be reviewed by the State and Federal governments at the conclusion of the current establishment phase. When the National Rental Affordability Scheme [NRAS] was announced, I think for the first couple of years—and 11,000 dwellings is described as the establishment phase, then there is another 39,000 dwellings nationally for the expansion phase, and at that point the Commonwealth will consider whether a further five-year period for another 50,000 dwellings is warranted. When we are talking about the establishment phase, it is when we get to that point of the first 11,000 dwellings being approved; but it is still another year or so to run. I guess there are issues that people have canvassed, perhaps about whether the level of subsidies in high-cost locations are sufficient. From day one there have been some arguments and various views about the income eligibility levels, as to whether the cut-off points are too low.

I guess all we would say at this point is that when the scheme is more fully up and running than it is now—and there are a few dwellings operating in New South Wales; there are about 4,000 dwellings nationally where subsidies have been allocated, so it is still in the very early stages—we would hope that the State and Federal governments together would review things.

One thing we did make a recommendation about in our submission that is NRAS related—it is one that we previously put to the Government in our pre-budget submission—is the Affordable Housing Innovations Fund, which is a State Government fund that pre-existed NRAS but it was used in the first round of NRAS to assist registered community housing providers establish NRAS projects by offering a capital subsidy that is in excess of the requirement under NRAS for the States to contribute \$2,000 per dwelling per year. In the first round there were a number of registered community housing providers that got approved under NRAS and got offers in that round, called NRAS A, which was this high level of subsidy.

The Affordable Housing Innovations Fund has now more or less been exhausted through that process, so we have asked the Government to consider a topping-up of the fund. To date that has not occurred, but equally to date no-one has ever said, "No, we will not ever do that." So that is one matter we have put forward. I think you have the Federation of Housing Associations coming to see you tomorrow. That federation more directly represents the community housing providers, and I am sure they will raise the same matter. It is a matter we have certainly talked to them about.

The Hon. MARIE FICARRA: I note that there is mention about State environmental planning policy 70. What do you believe can be done through that State environmental planning policy towards the National Rental Affordability Scheme?

Mr GARDINER: I guess we will start with what SEPP 70 is. SEPP 70 is the State environmental planning policy that allows for affordable housing levies contributions to be required in a number of designated areas approved by the Minister for Planning. It is quite limited at the moment. The biggest area of activity—and I think they have put a submission in to you—is in Ultimo, Pyrmont and Green Square, where City West Housing is the housing provider in that area. There are some more limited schemes in Willoughby, North Sydney, and so on.

What we have referred to in our submission is that in the Metropolitan Strategy at the end of 2005 there were some commitments by the Government which we were quite happy about, regarding how the planning system could be used to expand the supply of affordable housing. I guess for us the key thing about that that needs some work is that the Government at that point promised that the Department of Planning would give guidance to local councils and other consent authorities on the circumstances in which they could use the planning system, by various methods, to secure contributions from developers towards affordable housing.

We have discussed the matter a number of times with Planning, and we know that work is proceeding about it, but the work is not complete. So I think it is fair to say we are disappointed with the slow progress about that. I guess where we see the connection comes in with NRAS is that if you can get a contribution in cash, or in dwellings or in land, from the planning system, and you marry that with the subsidies that are available under NRAS, you can produce an outcome which is a lot more widespread than would be the case with those things happening alone. I guess where we would like to see some progress now that NRAS is in existence—there is that mechanism for people to get out there and borrow money to be involved in the expansion of low-cost rental accommodation.

I think we understand that the Government is not disposed to have that happen right across the State, that every council is going to be able to impose contributions from developers, but we certainly have been putting a case in terms of NCOSS that there are some priority areas where you could identify where it would be desirable and morally there is a strong argument for the planning system to contribute. Some of the examples we have consistently put to the Government in that context would be where the development is happening on land that is owned by the State and Federal governments. We think it is not unreasonable to talk there about a contribution for affordable housing, and the other thing is where you have, say, designated growth centres or redevelopment areas where large-scale Commonwealth and State infrastructure investment is making it possible for the private sector to do higher-density housing developments and whatever. Again, in those cases, we would say there is a moral argument.

The classic example of that is about Ultimo-Pyrmont in the modelling sense, because while you have an affordable housing scheme in Ultimo-Pyrmont it was not primarily through the SEPP 70-type arrangements, it was really because at that time the New South Wales Government asked the Commonwealth under the Better Cities Program to assist with the redevelopment of Ultimo-Pyrmont, which was historically a low-income, wharf-related suburb, and the Commonwealth said, "Sure, we are interested in helping with a light rail service and other things for Ultimo-Pyrmont", and under the Better Cities Program funding was delivered by the Keating Government for that. But the Commonwealth said, "We don't want all this investment to result just in the total displacement of the existing population". So the Better Cities agreement for Ultimo-Pyrmont had a requirement from the Commonwealth that there be an affordable housing scheme for the location. That scheme is not solely funded by developers. That is another example of where you marry things together.

That scheme, which is the best one we have, was supported by a \$50 million Commonwealth contribution from the Better Cities Program at that time. The State Government made a capital contribution and developers make a relatively modest contribution—I think it is 0.9 per cent of the cost of some projects and 1.1 per cent of the cost of the others. Again, you put those three together and you have got several hundred units of affordable housing now in Ultimo-Pyrmont that you otherwise would not have had.

CHAIR: Does the council have any role in that?

Mr GARDINER: Sydney City Council? They did not so much in that, because it is fair to say that was a deal that was arranged between the New South Wales and Commonwealth governments, and Ultimo-Pyrmont for a long time was taken out of the planning control of Sydney City Council, much to the distress, as I recall at

the time, of the Lord Mayor, who was Frank Sartor at that time. Ultimo-Pyrmont has gone back to being under Sydney City Council control. But of the City West schemes, the other one at Green Square is a council initiated thing; it was done under the old South Sydney Council, who was consent authority originally for Green Square, and they developed an affordable housing scheme, and City West Housing, given their already existing infrastructure in Ultimo-Pyrmont, were selected to run the Green Square scheme, and I believe now they have one or two buildings in place in Green Square under that scheme, which is now part of Sydney City Council but it was not initiated by Sydney City Council at that time, if you know what I mean.

The Hon. MARIE FICARRA: We have heard a submission this afternoon about pros and cons of cooperative housing—mainly the pros. Does NCOSS have a view on this form of community housing?

Ms PETERS: I think it is fair to say that cooperative housing within New South Wales is certainly not as large as it is in other jurisdictions, particularly overseas. It is an important part of the mix. From NCOSS's perspective, and certainly I will get Warren to add to this, it is about making sure whatever the mix is that it is a sustainable mix that delivers outcomes for low-income and disadvantaged people seeking affordable housing.

Mr GARDINER: This Committee previously did an inquiry into community housing, which led to the Government doing a strategic plan for expansion of community housing, and so on, as part of that. We did make comments during that process about the desirability of some means of expanding cooperative housing in New South Wales, because it is small, as we just said in the previous discussion. We are certainly supportive of the work that ARCH has done and hopeful that over time there will be further expansion. I think we would be realistic that it is not going to be the first option that a lot of people who have a housing need is going to identify as being suitable to them; it is suitable to people who are interested in participating actively rather than simply passively receiving a housing service. But we have certainly been supportive of the efforts of ARCH to devise a means by which they could expand in New South Wales, similar to what has happened in Victoria where the cooperative housing sector is much stronger.

Dr JOHN KAYE: The Federal housing Minister, Tanya Plibersek, has indicated that she wants to transfer more of the emphasis away from public housing into non-government sector housing. The State housing Minister, David Borger, has in many ways indicated he wants to do the same thing. What do you think the impact of that move will be on people who are already in low-income housing?

Mr GARDINER: Firstly, it is true to say there has been the Stock Transfer Program and other initiatives over recent years where community housing has already been growing at the expense of public housing. There is no doubt both the Federal and New South Wales governments have the view that the recent stimulus package and the other agreements that come out of COAG, that the vast majority of that should go to community housing, and we have no problems with that; we would like to see community housing growth be put on a more sustainable basis and have title to stock and issues like that.

Where NCOSS might have a slight reservation would be just to say we would not give up on the argument that there needs to be some further growth in public and indigenous housing, for example. One of the COAG agreements is for remote and indigenous housing in New South Wales. That is welcome, but that is restricted geographically. As we know, a lot of indigenous households do not live in remote areas of New South Wales; they live in urban centres and in Sydney. So, we would urge that consideration be given to some growth in that sector. In public housing I guess the traditional argument is it is about choice. There will be people on the current public housing waiting list whose basic choice is to have traditional public housing, and they should not be denied that choice.

So it is a matter of how you can have things grow. I think the opportunity that you do have at the moment, because of the change of approach by the Federal Government, is that there is no reason why the growth of one has to be at the expense of the other, whereas that has not been the case in the recent past.

Dr JOHN KAYE: But the current policy position is for the growth of the non-government community housing sector to be at the expense of the public housing sector. From a tenant's perspective what would be the reasons why you would prefer to be in public housing rather than community housing?

Mr GARDINER: NCOSS would say we leave that choice to people. I guess if there is any empirical information about that then there are periodic tenants surveys—and you are hearing from the federation tomorrow, they will tell you—and it is there, that for whatever reason, the levels of satisfaction that are recorded in the national surveys that are required by the Commonwealth show that the satisfaction with community

housing overall in New South Wales is about 20 percentage points higher than the level of satisfaction expressed by public housing tenants.

If you ask us to interpret that or to make comment, that is not for us. We say our position would be one of choice. But it is certainly the case that any time anyone has surveys they have found that for whatever reasons—maybe it is more responsive tenancy management; maybe community housing providers are not so intrusive in some areas as the Department of Housing is, or whatever; maybe maintenance and repairs have been attended to better, who knows—but what we do know is that that data shows that. But, as I say, we are also interested in having a strong public housing sector that can grow in some locations. Seniors housing, for example: I think our impression over the last few years is Housing NSW has had a good focus on some better models of housing for seniors and they have got pipeline projects to provide better, more appropriately designed housing for seniors in New South Wales. We would like that to continue.

Even when the Minister has said most of the growth is going into community housing, I think that is not precluding options for growth elsewhere. But that debate is still to happen. Certainly, NCOSS has said that we would like a bit of a debate about how is the best way to use those resources so that the sorts of needs that we have talked about are all part of some sort of ongoing plan. You will see in our submission that what we have been putting to the Government predating the COAG-type thing is we have been asking for a five-year plan about affordable housing with numerical targets so that everyone could understand what the basic approach was going to be and we could monitor progress.

Whilst we are welcome under States I would say we are delighted with what has happened in the last few months in terms of the COAG process; it is obviously the biggest expansion in affordable housing in living memory. We are still putting that position: we would like a formal sort of five-year plan where the State Government sets out this is where we would like to go with the resources we have got, the opportunities we have, and we could all have some clear understanding about that. At the moment some things are based on conversations that people have had about saying all the growth is going to community housing.

The Hon. MICHAEL VEITCH: I would like to explore with you the role local government has in providing low-cost rental accommodation. Do you think local government has a role in encouraging the provision of affordable housing or accommodation but also maybe as a provider themselves?

Ms PETERS: I think it is fair to say, and Warren has alluded to this previously, that there are some councils that historically have done a fair bit of work in this area. We certainly think some clarification from planning regarding guidelines under SEPP 70 will provide some assistance. At the moment it is a little bit up in the air. We are aware of some councils that have sought to do some work in this area, and the lack of clear guidance has meant that those projects have not proceeded or have been challenged in some way, particularly by some developers. However, I think it is also our position that while councils do have a role to play and the State Government has a role to play in making those provisions clear for councils, not every council is going to be interested nor indeed have the capacity to play a very active role in this area.

However, clear guidance under SEPP 70 will allow those councils that do have an interest and some capacity to be able to do some things that we think would be quite welcome in those communities.

The Hon. MICHAEL VEITCH: Along those lines, in the rural areas councils have responsibility for their caravan parks or cabin parks, which also—I am not talking about metropolitan Sydney in this respect, I should qualify that—in rural areas that type of accommodation does form part of the low-cost rental market. Do you have a view about councils' roles in that and also how caravan parks or cabin parks play a role in the low-cost rental market?

Mr GARDINER: It is not without some controversy with regard to whether long-term housing is desirable. We accept your basic starting point that for a long time it has played an important role in providing housing options for many low-income retired households. The evidence is fairly clear that we are seeing a curtailment of provision of long-term housing in caravan parks, particularly in coastal areas because land values have gone up. Everybody who has a caravan park, including a number of councils, has said that they could make a lot more money by rezoning it. There has been this bit-by-bit, drip-by-drip reduction. The reduction in caravan park long-term sites in Sydney has been astronomical. There are very few sites that have survived in Sydney. There are processes about that, but it is a difficult issue.

The Hon. MICHAEL VEITCH: Where a council identifies a development opportunity and sells a caravan park for development, do you think there is an opportunity to say that a proportion of that park should be retained for affordable, low-cost housing?

Mr GARDINER: Absolutely, if you say that the Government will not accept that and that there will be developer levies across the State, we could consider some criteria on a case-by-case basis where there is a strong moral argument. We mentioned vacant State or Federal sites. The same applies to local government. If a council is going to displace people like that, there are already arrangements relating to their tenure on the site. They may be entitled to compensation in some cases. We could provide some details about that. Apart from that, I accept your basic point that there is a strong argument in many cases that consideration should be given to providing affordable housing on that site if it has been rezoned for apartments or as a residential development more generally.

The Hon. MICHAEL VEITCH: I asked a question about public perception of the nexus between low-cost rental and pockets of disadvantage or poverty. Do you think that is a fair perception about low-cost rental accommodation?

Ms PETERS: Whichever community it is, it is all relative. There may well be pockets of disadvantage. However, NCOSS has firmly taken the view that the best communities have mixed income levels and housing tenure and they have good infrastructure, whether it be public transport, schools, hospitals, parks, recreational facilities and the like. For us the issue is about ensuring that a balance is maintained and that it does not tip over; for example, instead of having a small proportion of people who might be relatively disadvantaged in the community, you have an entire suburb that is categorised in that way. That makes it far more difficult to deal with the disadvantage that might be experienced by those people. A lot of people are very quick to talk about those sorts of perceptions, but I think it is about maintaining a careful balance in how you deal with the issues. It is not the fact that it is low-cost rental accommodation; it is a range of other things that make a community disadvantaged relative to others.

Mr GARDINER: I will put my planning hat on. Housing NSW no longer develops housing estates. However, planning mistakes were made in the past. There is no doubt about that. Even if you were comfortable with concentrations of dwellings in certain locations, the Housing Commission, as it then was, in many cases chose exactly the worst possible locations, often solely on the basis of the availability of cheap land. Therefore, there were lots of disadvantaged people with all of those issues that Ms Peters talked about located on the very edges of the city disconnected from public transport, job opportunities, education, training and so on. We also had problems with the Radburn design. Mistakes were made.

It is clear to us as part of the current COAG agreements and so on that both the New South Wales Government and the Commonwealth Government have a strong push with regard to the deconcentration of estates. We support that. However, that will be a major challenge in New South Wales and it will take many years to work through that agenda. A very large proportion of the 150,000 social housing dwellings in New South Wales are in housing estates, particularly in the Greater Western Sydney Division—that is the label used by Housing NSW. That is the location of about half of all the State's social housing stock. We all know the names of the suburbs. There is major redevelopment underway at Bonnyrigg and Minto. We have a lot of involvement in that and we are comfortable with the way it has been done. Work is also being done in Airs and some other suburbs. But there is probably decades of work to pursue the agenda. How do we achieve what the Commonwealth is talking about in terms of deconcentrating and relocating people closer to transport opportunities and so on?

The Hon. MICHAEL VEITCH: I refer to the social cohesiveness of society. Can you give two or three elements that NCOSS would recommend should be put in place to foster socially cohesive communities?

Ms PETERS: I think I referred to it in a previous answer. We think some diversity in the community is important. That means mixed income levels, mixed tenures and mixed users. There must very clearly be adequate infrastructure and services. That is not just physical infrastructure but also social infrastructure. It involves support services, education and recreation—both passive and organised. It is a range of these sorts of things that need to come together. The bottom line is always good planning, some time and some resources. They would not go astray.

Mr GARDINER: Two of our specific recommendations are relevant to that question. One is support services. The State Government has some very good programs such as the Housing and Accommodation

Support Initiative for people with mental health issues to ensure they get joined up housing and support. The system falls down at the moment. There are plenty of people already in the social housing system who have mental health and drug and alcohol treatment needs that are not being met. We have some proposals about that. That will not solve some problems. However, one factor that has aggravated people in certain communities has been that there are some people who have basic support needs that are not being met. There should be a more formal arrangement between government agencies. We understand that in the culture of government delivery in New South Wales it is very hard to get the health and housing departments to work together to deliver that sort of assistance.

We have also made a modest proposal about home purchase. There are some social housing tenants who have the means to sustain a modest mortgage in a shared equity scheme. We are certainly interested in that. That would be one way to achieve some mix. At the moment, there are restrictions in some locations, but in a lot of locations tenants can buy the house they live in. There are two problems with that: first, people can buy only the house they live in. It might be more appropriate for them to purchase another Housing NSW dwelling. Secondly, with the way property values have gone, the department must sell the house at market value. There are very many moderate-income earners who cannot sustain that at the moment.

South Australia and other States have schemes involving shared equity of 60:40 or 70:30 with the Government retaining a proportion of the dwelling. That obviously reduces the purchase price. That is one way. We do not want to go into the traditional arguments about whether people look after their house better if they own it. However, it is certainly one way to achieve social mix and more cohesive communities. If people are buying their dwelling they have a strong and long-term commitment to make that their home. That is one thing we think is missing at the moment in terms of the New South Wales menu of housing options.

We know there is a lot of caution in the State Government, particularly in Treasury, about anything involving helping people to buy a home. There are two words you only have to mention in New South Wales: Home Fund. The New South Wales Government and a lot of purchasers got burnt. However, shared equity and Home Fund are very different. I know this is not an inquiry into home purchase, but there are options available to assist moderate-income households into home purchase. We think it would be good to start with some social housing tenants who have the means to sustain a moderate mortgage.

The Hon. GREG DONNELLY: Can you share your views about the role of the private sector? We heard evidence about that earlier today. I am not sure whether you were here. There was a comprehensive presentation about the role of the private sector and the size of its contribution to providing housing. We were exposed to the Commonwealth Government's settings for taxation arrangements, deductions and so on providing incentives for the private sector to invest. What is your organisation's view?

Ms PETERS: It is interesting because we were talking about this earlier today ourselves. Part of our concern is what is meant by "private investment"? The reality at the moment is that private investment means individual people buying investment properties. There is no evidence of large-scale commercial interests providing rental accommodation, let alone affordable rental accommodation. The incentives have largely been directed at the mum and dad second investors. We have some concerns about that. Even with a scheme like NRAS it does not seem to us that there has been large-scale commercial private sector investment. There was some belief that institutional investors may have been interested. We accept that it is a difficult environment at this time. We are not opposed to private investment, but at the moment we struggle with the fact that the incentives do not always achieve the outcomes that we would like; that is, large-scale affordable housing for low-income people.

Mr GARDINER: This is a matter that the sector has grappled with for a very long time. We do not want to go too much into the existing Commonwealth incentives offered to the mum and dad investors. The biggest deficiency with them is that they are not linked to any outcome for housing for low and moderate-income households. It has been very successful in expanding housing supply, but not in terms of connecting that housing supply to low and moderate-income households. We are positive about NRAS because it has more detailed requirements. The Commonwealth prescribes who can rent an NRAS property and things like that.

It is just not rental housing for the sake of rental housing it is more constrained. As Alison says, unfortunately it has probably been launched in the worst possible economic climate in terms of getting superannuation funds and credit unions and whatever who are the ones most interested in the idea. I think all the feedback we hear from the sector is it is very difficult, other than from traditional banks and whatever, to secure much loan funding at the moment for housing projects. Hopefully that is a cyclical issue and when we get out of

the current downturn then you may have the superannuation funds and some of those other bodies actually developing an interest, using the incentives under NRAS so that we could have an alternative model of housing in place.

Obviously the other advantage for our sector—NCOSS is not a housing provider or anything like that—but obviously from the housing buyer's point of view, and what NRAS has always been about, is it allows them to purchase property. We are talking about property that they own, they can trade in, they can sell, redevelop later on and whatever. We all very much hope that the NRAS model, maybe with some adjustments down the track, can lead us to having a new form of low rental affordable housing in place and one that does not have to be quite so targeted as public and community housing is. We understand why public and community housing gets high subsidies, and therefore it is targeted to people in need, NRAS and these other things through the planning system get subsidies but not the same level of subsidies so they are open to a broader group of people. That is an important policy issue for us because there were many people who were until recently not eligible for public and community housing but in no way could buy a home and they were left in the middle at the mercy of the private rental market. For them NRAS provides potentially another option down the track.

CHAIR: The committee will send you some questions that you may be able to answer for it. We have run out of time. We appreciate your time and thank you for coming: it has been very informative.

(The witness withdrew)

MARY PERKINS, Executive Officer, Shelter New South Wales, of suite 2, 377-383 Sussex Street, Sydney, and

CRAIG JOHNSTON, Principal Policy Officer, Shelter New South Wales, 377-383 Sussex Street, Sydney, sworn and examined:

CHAIR: Do you want to tell us about your organisation?

Ms PERKINS: Shelter NSW is a non-government organisation whose brief objective is to try to advocate for a fair and just housing system. In doing that it looks at the interests of low- and middle-income earners across home ownership, private markets, rental markets as well as public housing. We have a particular interest, because our system is not particularly fair, in what happens to households in the lower income groupings or with other particular disadvantages, for example, if there is a disability when income is not necessarily the problem but the provision of the goods is the problem. So it is about people or households that have difficulty affording to house themselves within our private market or have particular difficulties that are not met by the private markets. We have been existence for 32 years and it is fair to say for much of that history we have had quite a focus around homelessness and the supply of affordable housing models initially in the 1970s with a focus on public housing but increasingly through the 1980s and 1990s with more focus on the private markets.

Dr JOHN KAYE: Thank you for the excellent work that you do. Will you take us through your recommendation No. 7? Will you give the committee the background? It states "... the proportion of new tenancies on public housing estates undergoing regeneration that are allocated to housing for special needs of 25 per cent".

Ms PERKINS: Not all public housing stock in New South Wales is held in what they call "estates" but a substantial proportion of it is—roughly about one-third. Because of the concentration of households with significant disadvantage you can end up having, in effect, to put it quite colloquial, an institution you are having when you are not having an institution because of the allocations policies. So for the past many years now roughly 50 per cent of allocations to public housing have been on a priority housing basis to people in high needs. Now that is not distributed evenly across the Department of Housing stock because some property turns over more quickly than others. In some of the estates where you have some of your more hard-to-let properties, the property turns over more quickly so the concentrations of people with high levels of a disadvantage become much more accentuated. They become quite difficult places to live in and to manage.

Dr JOHN KAYE: You have used three terms: special needs, high levels of needs and high needs. Are they interchangeable in this conversation?

Ms PERKINS: In this conversation probably, yes.

Dr JOHN KAYE: What do you mean?

Ms PERKINS: It will be people who are suffering with mental health problems, with other forms of disability, those who are aged. You get quite funny allocations so that you will have a household with members who have quite severe mental health problems living next door to a bunch of older people who are getting increasingly more frail and then you will have the single parent with three school-aged children all within close proximity of each other—all with quite differing needs but often quite—

Dr JOHN KAYE: Incompatible?

Ms PERKINS: Incompatible needs and located in areas where there are not necessarily the best services separated from mainstream communities. If you take the Claymore public housing estate, for example, it is a five kilometres into Campbelltown, with not much in the way of public transport. It is not unusual to see a single parent with a baby in a pusher and another toddler in hand with shopping, walking five kilometres into Campbelltown. That is a hard ask. In that area there is obviously a need for transport, amongst other things. There are also needs for health services for those people with other sorts of health problems, mental health or physical problems, disabilities, whatever.

Dr JOHN KAYE: I have put this question to other witnesses today. The Federal Housing Minister, Tanya Plibersek is talking about effectively a transfer of emphasis away from public housing to community housing. It looks like the State Housing Minister, David Borger, is heading in the same direction. What will this mean for a public housing tenant? Is it a good or bad thing? Should we be concerned about it or is it a positive thing?

Ms PERKINS: It is just a different variation of the same product as far as I am concerned. Craig might like to say something different. In New South Wales the eligibility requirements for community housing are generally within some exceptions, some properties that have come to it differently, are the same, so the tenants are roughly the same groups of people, it is just a different provider governed by exactly the same sorts of rules. Potentially it has some advantages for tenants in that you may get, with a smaller scale of operation, a more flexible level of service provision. You may get some more innovative thinking if community housing providers were freed up to operate in a less constrained way than they are now. It is not something that I would oppose. I think it is probably a good move. If I ever had a say about the Department of Housing I would have broken it up into a number of regional housing authorities many years ago.

Dr JOHN KAYE: In order to provide greater flexibility or greater responsiveness?

Ms PERKINS: Some of that and the capacity to respond much more and work with local housing needs and local resources as well.

Mr JOHNSTON: Basically I would say up to the past year or so the process of transferring public housing properties and management of those tenancies, and probably the mention of those two non profit providers organisations, has just been an outsourcing operation. There are some bureaucratic efficiencies from the point of view of the State, if you like, in terms of costs, and from a customer point of view there seems to be some increasing satisfaction on customer satisfaction surveys, public housing versus community housing. Community housing tenants give a higher rate of satisfaction with their landlord. It is not significant but it is there. So one of the strong arguments has been that the customers will get better services and that is linked to having a smaller provider that is able to be more responsive. I think that has been a rationale until recently but there is now, let us face it, a different dynamic and the dynamic is, can we actually transform the nature of the social housing sector and get some benefits from having social housing owned by community sector organisations because of the leverage opportunities that they are able to bring that government agencies cannot? So there is a new ball game.

In our submission we support the idea of transfer but not using the bureaucratic efficiency type argument but on trying to capitalise on the opportunity because it is quite clear from the developments in the Commonwealth sphere, and with pursuant interest by the State Government as well, and indeed this reflects international trends, that community organisations are being looked at to try to provide not only a more flexible and customer responsive product but a more robust model in terms of their fiscal situation, the opportunity to grow, the social housing sector when the government money has not been forthcoming.

Dr JOHN KAYE: thank you for those answers that are in respect to the short- and medium-term. Are you concerned in the longer term if governments pass over responsibility for affordable housing, low-cost housing to the community sector, it will be easy for them to abandon that responsibility entirely?

Mr JOHNSTON: These are political decisions, of course, and you cannot always predict the future. My understanding of it in New South Wales with both of the major parties, the parties of government, they still have a strong commitment to having a social housing sector. The phenomenon that we are talking about, of course, exists in other areas of social policy. Recently it has come up in New South Wales in terms of foster care so the sorts of trends that we are seeing are pretty bipartisan. It is a question of we would not see the Government as actually withdrawing from responsibility but that does not mean it necessarily has to have direct provision of some of these social welfare type services. I think that is the take that I would have on this.

Ms PERKINS: One of the reasons—it is one of the reasons; it is not the only reason—we have the housing crisis we currently have to low-income households is because over the last 10 to 15 years governments did back away from their responsibility and failed to fund the system properly.

Dr JOHN KAYE: What do you see as the opportunities for the for-profit sector in low-cost housing? Do you see this as being a sector that this Committee should concentrate on or should we be concentrating on the not-for-profit sector as the growth vehicle for affordable housing?

Ms PERKINS: We will both have something to say. Firstly, within housing markets when private investors invest they want a rate of return that is commensurate to what they might get somewhere else. It is all a balance and it is hard to see how you can have low-cost housing in our system operate with a sufficient level of return that would enable rents affordable to low-income and moderate-income households. That does not mean they do not have a role.

Mr JOHNSTON: It was interesting in the Committee's terms of reference the focus to us seemed to be on community providers of affordable rental housing but because you left it open—it was clear you were not interested in public housing and that was fine; there has been enough talk about that—we took the opportunity of the openness of the terms of reference to talk I think fairly substantially about the role of private rental providers. We were probably one of the few submissions that you got that took that opportunity. That obviously indicates that we think it is important to recognise that private landlords do provide affordable rental housing, not necessarily the best quality and in terms of the most boutique parts of the market for low-income earners. There have been traditional forms of affordable housing for low-income earners such as boarding houses and some caravan parks that are still very important but the challenge to engage the private sector in providing a quality product to the low end of the market in terms of people's capacity to pay is quite a difficult one. We tried to talk about those at reasonable length.

Clearly the question of subsidies is a relevant factor. At the same time we would have to say the question of government subsidies is a relevant factor to the viability of public housing and community housing as well so it is not as if it is something new. We did try to talk about what some of the opportunities might be to bringing private providers in terms of providing affordable housing outcomes, and indeed what some of the barriers were. In terms of our own thinking on this, we talk about this every day and get flummoxed at times about what some of the breakthrough initiatives might be but we think it is an important area for public dialogue and debate. Notwithstanding that, clearly we are also committed to the role of the non-profit sector as well and trying to develop and encourage the responses that get the outcomes we want rather than necessarily focussing on traditional tenures and we are moving into the period in terms of public policy where a lot of the boundaries are a lot poorer so we have fuzzy tenures operating these days, and we think that is probably good. That is a bit of a long-winded answer but I just wanted to emphasise that we think that is an important area to try to explore.

Ms PERKINS: It is also true that many low-income tenants who might even be eligible for public housing are still in the private market because they have chosen to be there, and there are many reasons for that. One that I know is a crucial thing in people's mind is the choice of location. The other is the amount of rules and regulations around public housing and basically the intervention in one's family life with those rules and regulations makes it in many people's minds the tenure of last resort. So they might hang out in the private market where they have greater degrees of autonomy even in lesser conditions, even with more price, for as long as they can.

Mr JOHNSTON: The national data on the Supported Accommodation Assistance Program just came out yesterday I think it was and I looked at it this morning in terms of where do people go out of homelessness people's services, what form of housing they live in, and what tenure they are in after they leave SAAP homeless agencies. The number going into the private rental market—it is in my head because I did a graph just this morning for our work—the number of people who exit SAAP or homeless agencies into the private rental market is now 39 per cent. The trend has gone up. It is quite a steep incline over the last decade or so. Given your terms of reference in terms of interest in homelessness and trying to get some solutions, medium and long-term solutions for people who are homeless, clearly our view is that the private rental market has got to be part of the solution. We know it can be part of the problem in terms of poor conditions and insecurity of tenure, and people being at risk of being in substandard accommodation, but how do we actually help the private providers be part of the solution? They clearly are in terms of the data, and more and more. How well that is working, I think, is becoming a very important public policy issue.

CHAIR: One of the important things we have been asked to do in the terms of reference is to look at the issue of key workers. Defining key workers seems to be coming down towards the issue of mainly hospitality and retail workers as opposed to the professionals, the police, teacher, et cetera, and we how link those to their professions and their jobs and to try to come to grips with the issue of geography. Do you have any thoughts on that area?

Mr JOHNSTON: Again I think we were one of the first organisations to identify that New South Wales did have a key worker housing program in New South Wales in the form of the Teacher Housing

Authority and it has a particular role in particular markets, especially rural markets and where the private rental market is not big enough to be able to provide affordable housing and help to attract people to work in areas where people need particular services. Our focus was not so much on particular occupations because the view that we took from the data that was available, researched by people like Judy Age and Bill Randolph, people you will be talking to, and Peter Fipps from the University of Western Sydney, is that some of the occupations identified in England as being particularly important were not showing up the same degree of availability in Sydney and New South Wales as they did over there and that there was a broader group of the working poor. But in our view there are clearly issues around trying to attract people of different occupations into particular areas and that is especially country areas we are thinking of, where the housing opportunities or housing markets are less developed where potentially the model provided by the teacher housing authority or at the Commonwealth level Defence Housing Australia they actually might be of use. But the reality is they are not highly developed in any other way in New South Wales.

We do not have a lot of models. We have in effect—I think I went through this in our submission—the local government housing schemes that were developed and if I remember in our submission correctly only one of the council schemes, Canada Bay, specifically names occupational groups. So I think it raises a lot of questions about which particular occupations and whether you can actually do your planning for housing provision in dynamic markets that finally as opposed to catering to a broader intermediate market category.

The Hon. TREVOR KHAN: What interests me is that in terms of the involvement of private sector in the provision of social housing it seems to me that the model we have been looking at is essentially particularly in getting more than the mums and dads involved is to look at a mums and dads model of financial return and saying, "Why can't we get the larger institutions involved?" That is not the only model in a sense of involvement of the private sector in a variety of areas. What comes to mind is another inquiry that I am involved in, which is the privatisation or contracting out of prisons, where you do not look at a model of financing which is the same as building private housing. I am wondering if in fact our funding model or our expectation of involvement of the private sector in the provision of public housing involves us applying a blinkered view as to what we need to do in involving them from a financing sense. Perhaps what we need to do is look at a sense inviting them in in some form of public-private partnership, which is a different financing model than what we have been talking about.

Ms PERKINS: We have no private sector funding in social housing at the moment but in the more what we would call intermediate forms of affordable housing products there is some. I guess one of the thinkings behind the Commonwealth program, the NRAS scheme, was to try to get a product that was more attractive to the institutional investors and bring a different class of investors to the table. That has certain benefits from a tenant point of view as well because those people are more interested in long-term investment and long-term returns than they are in a three, five, seven-year turnover as happens in the private markets at the moment. So there is more scope to offer the low-income tenants something that they need, which is greater degrees of security and amenity. It is yet to be seen how that scheme works in practice and whether or not that will come out or whether or not the investment in the private rental market even in that scheme will continue to be fairly small-scale investors.

In the discussions Shelter NSW was part of the consortium of organisations that worked on developing what has now become the NRAS scheme and in the discussions that we had with the potential institutional investors in trying to suss out what their interest would or would not be—in other words, bringing new money to the table—it was very clear that they were very leery of investing in a private rental market that was in their terms as skittish as it is, and that is because of the behaviour of the current mums and dads investors. So you really had to have a different sort of product and that is some of the thinking behind NRAS and we would welcome that scheme as potentially something that may make quite a significant difference, not to the social housing end of the spectrum but to the less subsidised but still perhaps more affordable sort of intermediate housing.

The Hon. TREVOR KHAN: But even the NRAS model seems to be still a transference of risk. It still places the risk on the private sector, which is reluctant to be involved in that risk. There are other financing models, are there not, where essentially, in essence, you contract out the building and the provision of the service but the risk remains in the government sector, somewhat like a reverse Lane Cove tunnel exercise?

Mr JOHNSTON: Indeed we have one in New South Wales and that is the PPP at Bonnyrigg. In terms of the information that was presented to Parliament in terms of the public sector comparator—and that is all we outside Government get to see—is that over the long term it produced benefits from a public sector point of

view in terms of the cost and the benefits of the redevelopment of that particular estate. That is one of the first. In fact, it seemed to be the first in Australia. There are some similar but not quite initiatives in other States but the question is what were the particular factors. The question from us is: What are the particular factors that made a PPP model particularly appropriate for Bonnyrigg? One of those seemed to be the very high land values. It was actually quite a well-located estate in terms of the shopping centre and access to services, close to regional centres at Fairfield and Liverpool, and it also had a degree of private ownership already or an occupation on the estate.

So there are lots of things going in its favour, but it is only one model. It is a first and, of course, there are many years to go, and we have not seen the valuations. But it could be that that particular model is replicable on other sites around the State. But my hunch is that all the work, especially by Housing New South Wales, that was put into getting that particular PPP up and running was a very big commitment. Yes, you might seek to transfer some of the risk there to the private sector, but you nevertheless have to maintain very strong responsibility, particularly on top of the contract management issues.

Ms PERKINS: In those sorts of PPP-type exercises in New South Wales, the initial one started at Minto, then there was Bonnyrigg and then there were other little projects lying around. None of them has produced additional social housing. They replace existing units and, in effect, sell to the private sector. The private sector builds a new estate or new housing and the public sector gets back the same number of units of housing it had on that land in the first place, trading it for the land it sold. So you build with greater density. Sorry, that is a bit of a waffle. But none of those models has produced additional to what was already there in accommodation.

The Hon. TREVOR KHAN: Why is that? Why is the model not capable of being used to increase the public housing stock?

Ms PERKINS: I can only presume that that is how the figures work out. You trade the land for the replacement of old stock, end up with the same number of stock and the private sector makes its profit on what it has built in addition to the public housing limit. I am sorry, we are the wrong people to ask about the details of that sort of financial arrangement from those contracts.

The Hon. TREVOR KHAN: I am just thinking that there are tracts of government-owned land throughout, for instance, western Sydney—perish the thought that that is the only area we look at—that obviously have a value that we see converted into land sales, whether it be subdivided by Housing New South Wales or by whomever else and sold off. That same valuable package of land is capable of forming the base product then for the development of appropriate public housing, if we chose to do it that way?

Mr JOHNSTON: I agree with it in principle. I would ask why not? We know that Bonnyrigg was very much influenced by the views of potential investors, who said that basically—it was a 70-30 model—the finances of the redevelopment would work best if the proportion of social housing or intermediate housing, affordable rental housing, on the redeveloped estate was no more than 30 per cent of the total housing post-redevelopment.

The Hon. TREVOR KHAN: We can understand why, because of the increase in the value of the overall property market if there is a diversity of ownership. Is that generally as you would understand it?

Mr JOHNSTON: Yes, and that meant that there is a smaller proportion of social housing, or there will be in the redeveloped mini suburb after the development. So that was a financial decision based on a particular assessment of what would actually work from a market point of view because the market or the private proportion of the redevelopment has to work to help finance the redevelopment of the whole of this land.

The Hon. TREVOR KHAN: Subject to the leave of the Chair, Ms Perkins you spoke of Minto as well as Bonnyrigg and then you made reference to some smaller exercises?

Ms PERKINS: There are different redevelopments happening all over the place. I am sorry, I have not got a list of all of them, but there is another one at Riverwood, there is another one at Villawood, and there have been announcements made and calls for expressions of interest on redevelopments in those sites for certain numbers of units.

The Hon. TREVOR KHAN: Would you have available to you the names or locations of those other ones?

Ms PERKINS: You would need to ask the Department of Housing. The asset management policies of the Department of Housing have not been made public.

Mr JOHNSTON: But the major ones we actually mention in our submission.

The Hon. GREG DONNELLY: Would you care to comment on the notion of cooperative housing models? Earlier today we heard evidence about the cooperative model. I was rather enlightened by the evidence as I had not known too much about it; it seemed to have some associated merit. It seemed quite an intensive model in the work that goes to building up to and then maintaining it to operate over time. They spoke with some particular enthusiasm about some work that was being done in Victoria currently in respect to government policy, of which you may or may not be aware, but I would welcome your comments?

Ms PERKINS: I think it is just another model that is useful and good. There are numerous forms of cooperative ownership, of which we only have our social housing type model in New South Wales. It would be good to advance some of that cooperative model with different models starting to operate more in the private market with some options for people to share ownership and own ownership collectively with government community housing providers or whatever. There is a range in other parts of the world of much more developed cooperative housing models. I think they do all have their use, but that being said, co-ops are not for everybody.

The Hon. GREG DONNELLY: Indeed not.

Ms PERKINS: So, it is not a one-size-fits all. But it is a really important part of our housing system that should indeed be maintained and fulfils a use. In fact, to have some common equity, co-ops probably would be quite good for low-income working people so that they can collectively buy property, manage it, share it. We do have a sort of private sector model of it, which is the strata title unit. But the co-op model does one thing further; it takes a property out of the private market so that the price stays down and stays stable. And that is its crucial bit in maintaining housing affordability into the future.

The Hon. GREG DONNELLY: Are there any overseas models you could refer us to or were you just making a general comment? Clearly, we have a very undeveloped arrangement in New South Wales.

Ms PERKINS: Yes. There are some in Austria. Certainly there are some scattered through Holland and Denmark and what have you, but Karine from ARCH would be able to provide much better detail of those sorts of models. The thing we would be quite interested in also seeing is some development of the land trust model that has been operating in the United States where a non-profit organisation owns the land, effectively removes the land from the private market so it is used for affordable housing in perpetuity. What is built on the land may be private home ownership. The private home low-income owners might own only the bricks and mortar of the house and lease the land from the non-profit land trust. So the housing consequently is much cheaper, but it stays in an affordable housing market in perpetuity. Other housing on land trust land, you might also get housing for rental, blocks of flats, whatever rental housing as well as low income home ownership type products. That would have some real benefit because a lot of our escalating price is associated with land, but also in the private market the subsidies that go to support individuals happen time and again. So, in the first home ownership market, for example, the levels of subsidies now required in order to get to the same levels of affordability as people had a generation ago are quite substantial, whereas in this land trust model the subsidy once paid for by the public sector is paid once and once only and the land is removed from the speculative market.

Mr JOHNSTON: It is interesting that you asked us about co-op models. We know that you had the Association of Resource Co-operative Housing today. They contacted us a couple of years ago to provide them with some information on models for cooperative housing, especially in the social housing area. It is a couple of years old, but we can provide that to the Committee staff, if that is going to be useful.

The Hon. TREVOR KHAN: It would be.

The Hon. GREG DONNELLY: Yes, it would be.

Mr JOHNSTON: Things have actually changed a bit. One of the things we referred to back there was the Victorian model, common equity housing. No doubt people from ARCH talked about that today.

The Hon. GREG DONNELLY: They did.

Mr JOHNSTON: We were as excited with them about the potential for that particular model to be imported into New South Wales because of the opportunity that it might give them to develop and grow a particular sector, which, as Mary said, is not necessarily of interest to everyone. Everyone does not want to live cooperatively. Indeed, some of the cooperative-type models we used to have in home ownership—

The Hon. GREG DONNELLY: Even though it is a good argument that we should live more cooperatively.

Mr JOHNSTON: It is a strong argument; whether you actually want to do it is another matter. We live with our families; we do not get to choose those as well.

Ms PERKINS: It is quite a lot of work to hold a housing co-op together. Not everybody wants to make that major commitment of their life.

Mr JOHNSTON: We saw that we had some of these fuzzy tenure models like a company title some years ago, but they disappeared. People actually had the choice, if you like, to privatise as much of the benefits as possible, and people actually did. That, in fact, was some of the fate of some of the common equity co-ops in North America, especially Canada; when the chance arose, a lot of those what seemed to us, I would call, company title type co-ops, were turned into more of that strata title model. But, you know, if it is attractive to some people, and there are some economies clearly in terms of the sweat equity involved and good tenants who have customer outcomes, then I think it is a model to be supported. We are happy to provide you with any information, but it is probably a bit old. We will follow up on that.

The Hon. MICHAEL VEITCH: Your organisation title Shelter NSW obviously means that you cover rural areas of New South Wales as well?

Ms PERKINS: We try.

The Hon. MICHAEL VEITCH: With regards to the Committee's terms of reference, are there any rural-specific issues that you think we should be trying to pick up?

Ms PERKINS: Along the eastern seaboard low-income households face pretty well the same sorts of affordability problems as the urban areas of Sydney, Newcastle and Wollongong. West of the Great Divide in the growth centres people report increasing lack of affordability, but then in other parts of the State what they have is housing without the jobs. So, there are some quite different things. In parts of the State there are very low-income households and absolutely no social housing or community housing. So, there is difficulty in getting access to the sorts of wait lists that you might get access to in the city. But certainly in the populated parts of the State down the eastern seaboard, it is a variation on a theme all the way down.

The Hon. TREVOR KHAN: It is populated west of the range as well; you can count on the census.

The Hon. MICHAEL VEITCH: Some of us actually come from the western division. Are you aware of cross-border issues, for instance, around the ACT—people in Cooma, Tumut, Yass, Goulburn? Are there any issues there about choice? Mr Johnston spoke earlier about people actually having a choice within that social community housing mix. Are you aware of any issues there?

Mr JOHNSTON: No. I am trying to think. I was actually in Cooma running a workshop a couple of years ago and I do not remember that cross-border issues came up so much. But as you say, in the ACT there has been historically a bigger proportion of public housing and perhaps, therefore, less stigma associated with it than there is in New South Wales. It has not necessarily been the case across the Tweed. I do not know of any particular cross-border issues that have come up to housing, but what we find just in terms of housing markets due to it is that there are negative spill-over effects on New South Wales from the ACT market and, in fact, the south-east Queensland market. So, it is the overflow of prices as people move from more expensive areas into New South Wales and therefore drive up New South Wales prices.

The Hon. MICHAEL VEITCH: Such as Queanbeyan?

Ms PERKINS: Such as Queanbeyan, yes.

Mr JOHNSTON: That is the effect we have, but to me that is a generalised effect of housing in more favoured locations, is how I put it. That has largely been close to it, but clearly that is Canberra as well.

The Hon. MICHAEL VEITCH: In your submission you accept certainty and similar issues. Aside from that, do you think local government has a broader role to play in low-rental accommodation, whether it provide, stimulate, maintain or encourage?

Ms PERKINS: I think they can do something, but that is not the solution. Those that work with many areas to do something is really good, but sometimes when people talk about the role of local government they have in mind something like the English local government housing schemes. It does not work like that for your system, but they certainly have a role to encourage the provision of lower cost and more affordable housing within the areas and certainly to think about what their housing markets are doing and what implications that will have for the broader community and the people who can live there. You can very quickly identify, if the housing market is super-expensive, that you are not going to have people living within that area who will be able to take up the low paid jobs in that area, for example.

Mr JOHNSTON: We should have given a yes and no answer to that question. Clearly it is not like England or Scotland, where there has been massive devolution of responsibility for social housing to local government housing providers, and then down from local government to community organisations. A few years ago in Ontario, Canada, the provincial government devolved responsibility for the provision of social housing to local government. That is quite a dramatic transfer of responsibility. We do not have that in New South Wales.

Indeed we have a lot of controls of local government in New South Wales, and there are particular fiscal issues as well for financial sustainability of local government that we are not engaged with directly but we are quite aware of. So it is quite a tricky political dilemma there. Our general position has been to allow those local councils, and not to put obstacles in the way of those councils who do want to do things. Some of them have been quite innovative—and good on them. But not to impose a generalised expectation that local governments can provide a role. That is a State government role.

The Hon. MICHAEL VEITCH: In smaller rural communities, local governments by default are now picking up childcare centres, because they are going broke and no-one else wants to run them. With aged care facilities, councils run them as well in small communities.

The Hon. TREVOR KHAN: And try to get out of it.

The Hon. MICHAEL VEITCH: And in some cases try to get out of them. By default in the smaller rural communities the councils run just about everything because no-one else wants to run them. When you say they do not have a role, they do in some communities by default as the surety level for the provision of those sorts of services.

Mr JOHNSTON: That is interesting. The sorts of services, and this is controversial, I do not know whether this is a shock to you, but the services provided very much have the aspect of the public good in some sort of universal access to them, or people might have some reasonable expectation of a generalised public access, even a public childcare centre that has a limited number of places. But with a house, it is much more of the character of a private good, and when someone is living in there you can evict them or churn them. But it is their home. You reasonably can expect that they will have a reasonable expectation that they want to live there for some period. My personal view is that somehow the dynamic of providing an affordable social dwelling is a bit different from a public school, neighbourhood centre or childcare centre.

That is what I think is a bit controversial. There might be a different dynamic but if local councils want to involve themselves in providing affordable housing, they can. In all councils there has been a history of that, again for employees. There is a history of providing that, and it is reflected in the local environmental plans—dwellings for employees in isolated areas. So there is a role there. Whether with their limited rate base they would want to take on a bigger social housing provider role I am not opposed, but it is a bit iffy, about the capacity to do that.

Ms PERKINS: But also in terms of the social housing and supported housing end of the spectrum, in many areas local government is involved in supporting non-government community providers. You will find that probably even more so in the country than in the city. For a lot of non-government organisations, that link and support by local government is quite crucial.

The Hon. TREVOR KHAN: Regarding local government involvement, and I come at that in a slightly different aspect than the Hon. Michael Veitch, in the early 1980s I lived in the Latrobe Valley in Victoria. There the local councils were involved obviously using their planning powers in what seemed to be the provision of more affordable housing in circumstances where it was community title with much smaller setbacks from roadways and other setbacks that were required in housing so that the housing blocks were very much smaller, I would assume well under 700 square metres, probably 400 or 500 square metres. Is that potentially a sort of model of reduced set backs, more dense, freestanding dwellings that may provide some of the answers, particularly in the Sydney market where land prices are so exorbitantly expensive?

Mr JOHNSTON: I think that was the rationale behind McMansions.

Ms PERKINS: Some of our local governments, Waverly in particular, as we stated in our submission, do certain tradeoffs with developers in return for units of affordable housing, that is in much more dense, flat-type development. In terms of low-income home ownership, single houses on blocks of land, personally there is room for more modest products to be put on the market. These days people get a choice of whatever the developer offers in a master planned estate, which is the land and housing package, the McMansion, plus the three bedrooms, two bathrooms, or whatever. The more modest housing that our parents would have bought and then added to is not available in today's market. There should be some effort put into trying to encourage the developers of land and housing packages to come up with more modest products.

CHAIR: So councils might have a role in liaising with the State Government and Federal Government, and others?

Ms PERKINS: Yes.

Dr JOHN KAYE: To go back to your answer about land trust models where the tenant owns the bricks and mortar and the land is owned separately, what happens when the tenant moves out or seeks to dispose of their interest in those bricks and mortar?

Ms PERKINS: It is sold. It depends on the model that people have arranged. Basically it is sold on an agreed value, obviously less than the total you would get if you were selling something that you had freehold title to demand.

The Hon. TREVOR KHAN: Sounds like Canberra.

Ms PERKINS: Yes, it might be like that.

Dr JOHN KAYE: But how is the affordability maintained? By maintaining the agreed value and affordable price?

Ms PERKINS: Yes. And the next family that buys in is again a family that requires affordable housing. You can do it in different ways, there is not one solution. The idea is that you are buying and selling just the bricks and mortar, not the land, which is going to be a significantly lesser value than buying and selling the land plus the house. Some people will certainly see that as a serious disadvantage, but look at it this way—it was put to us that it is a half-empty half-full glass argument: most often it is people who would not have had a chance at all. What they have, is better than having nothing.

CHAIR: Thank you for your attendance today. A number of questions on notice will be forwarded to you and the Committee seeks your indulgence in providing answers.

(The witnesses withdrew)

(The Committee adjourned at 5.10 p.m.)