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**Affordable Housing in NSW:  
Past to Present**

by

**John Wilkinson**

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# **Affordable Housing in NSW: Past to Present**

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**John Wilkinson**

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## EXECUTIVE SUMMARY

- The onset of booms, in business activity, has frequently led to escalations in house prices which, in turn, result in a shrinkage in affordable housing (pp.4-5, 14,16,18-22,27-29)
- Incomes, earned by those on the basic wage or just above, have increased far less than house prices have increased, during the last 25 years (pp.32-33)
- During the period immediately after the second world war, governments, at both a federal and state level, decided on intervention to solve a crisis in affordable housing (pp.5-15)
- Since the late 1970s, however, governments have largely withdrawn from providing housing for people encountering housing difficulties (pp.16-32)
- Rather than providing homes, governments have turned to providing small amounts of rent assistance as a means of alleviating the accommodation difficulties of those on low incomes (pp.20-25)
- Sydney has become a particularly difficult environment for those on the basic wage (or just over) to find affordable housing (p.33)
- In recent years, the NSW government, in conjunction with Sydney local governments, has attempted some initiatives to provide a small amount of affordable housing (pp.39-43)





## 1. INTRODUCTION

In August of this year, the governor of the Reserve Bank of Australia (Ian Macfarlane) declared to a committee of the federal parliament that, in regard to people's capacity to buy a house in Australia, "In dollar terms, Sydney is still way, way more expensive than anywhere else in Australia". He then added that, "In fact, I think it's so expensive that, particularly for a lot of young people, it's in their interest to go elsewhere, where the lifestyle is more affordable."<sup>1</sup>

This paper looks at the issue of affordability in New South Wales: essentially in Sydney and principally in relation to those people who are not on social security benefits but who earn the basic wage or just over. It examines schemes that have been created, in the past, to address either the affordability of housing – and what remains in the present.

## 2. CONVENTIONAL PROVISION OF HOUSING IN AUSTRALIA

### (a) Residential Housing as a Source of Investment

Housing serves two, often conflicting, purposes. For those inside the house, housing satisfies an immediate need for shelter and a place to live. For many outside the house however, and sometimes even for those inside, housing is a means of investment. A representative of Bennison McKinnon (a company dealing in premium real estate in Melbourne) told *The Australian* in 1994 that "the top end of the market is moving well, and one of the reasons why is because companies are making annual profits and senior executives are making good money and they are ready to buy."<sup>2</sup>

### (b) Lending for Housing: Past to Present

In the early years, after the British arrival in Australia, finance for housing tended to be provided by building societies: the banks preferring to lend to business. The first building society, in Britain, was established in Birmingham in 1775.<sup>3</sup> A number of years after Phillip's arrival (in 1778), British settlers began to set up building societies in Australia. By the 1860s there were building societies in all the (then) colonies. During the 1880s property boom in Melbourne, for example, co-operative building societies financed the majority of house building. During the 1920s, however, the activities of the building societies began to decline and the commercial depression of the 1930s reduced their activities even more. To revive the activities of the societies in New South Wales, the Stevens government obtained

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<sup>1</sup> Richard Gluyas, "Emerald City Exodus Hits Jewel in the Crown" in *The Australian*, 4 November 2005, p.21.

<sup>2</sup> Ann-Maree Moodie, "Housing Fat Cats Get The Cream as Poorer Cousins Turn Tail" in *The Australian*, 5 November 1994, p.8.

<sup>3</sup> In the Birmingham scheme, as described by M.R. Hill, a certain number of "working men. . . agreed to contribute a regular sum to a common fund which was used to buy land and build houses, the sequence of allocation being determined by lot." See M.R. Hill, *Housing Finance in Australia 1945-1956* (Melbourne University Press, Melbourne, 1959), p.10.

passage of the *Guarantee Act 1934* providing at least one building society a government guarantee of the funds that it had borrowed. Stevens then obtained passage of the *Housing Improvement Act 1936*, and the *Co-operation Act 1938*, which underpinned the revival of the building societies. By 1939 there were 191 building societies with 18,911 members and assets of £13 million.<sup>4</sup>

Essentially building societies borrowed mainly from (what were then) government-established banks and then re-lent the money to members of the society. By the mid-1950s the (then) Commonwealth Savings Bank, and the Commonwealth Trading Bank, had lent a combined sum of over £62 million to 227 building societies in New South Wales.<sup>5</sup> As shall be detailed subsequently in this paper, the policies of the Menzies government, in the late 1950s, increased the prominence of the building societies. However, after de-regulation of the banks, by the Keating government in the 1980s, the major banks (which had also provided substantial finance for housing) significantly increased their lending for housing. By the 1990s, according to Martin Abbott and Chris Doucouliagos, “more than 90% of finance for owner-occupied housing in Australia is supplied by the banks, the rest being provided by permanent building societies” and other entities.<sup>6</sup> In present times, five major banks collectively lend most of the money that is offered to people to buy houses. These are as follows:

#### **Five Major Lending Organisations for Housing in Australia: 2005<sup>7</sup>**

<i>Institution</i>	<i>Amount Lent</i>
Commonwealth Bank of Australia	\$112.3 billion
National Australia Bank	\$90.2 billion
Westpac	\$85.4 billion
ANZ	\$71.5 billion
St. George	\$39.2 billion
TOTAL	\$398.6 billion

#### **(c) Housing as a Major Area of Business Activity**

In Britain, during the nineteenth century, building (in the form of industrial and office building as well as house building) was the fourth largest employer of people, as the following table illustrates:

<sup>4</sup> Malcolm Abbott and Chris Doucouliagos, “A Long-Run Analysis of Co-operative Housing Societies and Housing Construction in Victoria, Australia” in the *Australian Economic History Review*, vol.39, no.2, July 1999, p.117; Susan Withycombe, *A Home of Our Own: Half a Century of Co-operative Housing 1937-1987* (Co-operative Housing Societies Association of New South Wales, Sydney, 1987), p.13.

<sup>5</sup> Withycombe, op.cit., p.39.

<sup>6</sup> Abbott and Doucouliagos, op.cit., p.114.

<sup>7</sup> Richard Gluyas, “NAB Steals A Quick March On Rivals” in *The Australian*, 30 April 2005, p.35.

### Employment of People in the Main Industries of Britain: 1881<sup>8</sup>

Textiles	1,299,000
Clothing	1,046,000
Metals Manufacturing and Engineering	1,017,000
Building	877,000
Mines and Quarries	612,000
Food Industries	592,000
TOTAL	5,443,000

There are today, in Australia, a large number of concerns currently engaged in home building. Some are substantial firms operating with large numbers of people. Many others are small operations or simply self-employed builders. This is illustrated by the following figures for Australia and for New South Wales:

### Building Concerns Operating throughout Australia: 2000-2001<sup>9</sup>

Businesses Employing 20 People or More	1,500
Businesses Employing 19 People or Less	79,200
Self Employed Builders	151,900

### Building Concerns Operating in NSW: 2000-2001<sup>10</sup>

Businesses Employing 20 People or More	300
Businesses Employing 19 People or Less	30,700
Self Employed Builders	49,700

On an Australia-wide basis, the major house builders are as follows:

<sup>8</sup> Francois Crouzet, *The Victorian Economy*, translated by Anthony Forster (Methuen, London, 1982), p.189.

<sup>9</sup> Australian Bureau of Statistics, *Small Business in Australia: 2001*, ABS Catalogue 1321.0 (Australian Bureau of Statistics, Canberra, 2002), p.12.

<sup>10</sup> Ibid.

### Major House Builders in Australia: 2004<sup>11</sup>

Delfin Lend Lease
Stockland
Peet and Company
Australand
A.V. Jennings
Lensworth
Dennis Family Corporation
Mirvac

Housing is also a major area of activity for suppliers of building materials, and for buyers and sellers of property. In the second half of 2004, Boral (Australia's biggest seller of building materials) made a profit of \$179 million.<sup>12</sup> In New South Wales, alone, there are 1,800 commercial and residential estate agents.<sup>13</sup>

### 3. HOUSING NEED AND THE EXPANSION AND SHRINKAGE OF GOVERNMENT PROVISION OF HOUSING 1945-2005

#### (a) Housing Need Emerging from Property Booms

Because investing in property can be so remunerative, and because banks are often prone to lend money for such investment, people who simply work for a living can be the subjects of both the fortunes, and adversities, of the property sector. Property is the sector of activity that is most susceptible to being used by government to artificially boost business. As business prospers, people find it easier to get a job and pay rent or pay off a home. When business crashes after such a boom (as often happens) people lose their jobs and have nowhere to live. It was a boom of this nature, occurring during the 1920s, that influenced the first wide-scale government response, in Australia, to housing need.

During a boom in business during the 1920s (occurring both on a worldwide level and in Australia), an expansion of the electric railway in Sydney (in 1926) induced banks to lend to speculators who then bought land and subdivided it: particularly in the Canterbury and Bankstown areas. As in the case of the 1880s boom, speculation in land and property crashed as other areas of production (that had also been over-invested in, internationally) also collapsed. Between 1931 and 1934 there was almost no new building of any kind in Sydney.<sup>14</sup> In 1932, the depth of the 1930-1935 trade depression, there were an estimated

<sup>11</sup> See Florence Chong, "Scouts Seek Out Shrinking Stock" in *The Australian*, 15 July 2004, p.47.

<sup>12</sup> "Housing Slowdown Erodes Boral Profit" in the *Sydney Morning Herald (SMH)*, 9 October 2005, p.31.

<sup>13</sup> Turi Condon, "The Squeeze is On" in *The Australian*, 24 June 2004, p.41.

<sup>14</sup> Maurice Daly, *Sydney Boom Sydney Bust: The City and its Property Market* (George Allen and Unwin, Sydney, 1982), pp.168-169.

673,840 people receiving unemployment benefits Australia-wide. In Sydney, many unemployed people were evicted from their homes and many homeless moved into areas such as the sandhills at La Perouse.<sup>15</sup>

### (b) Responding to Housing Need by Major Government Intervention

During the period just after the end of the second world war, unemployment averaged between 1 and 2%.<sup>16</sup> The basic wage and house prices, for 1949 (for example), can be contrasted as follows:

#### Sydney Basic Wage and House Prices (approx.): 1949<sup>17</sup>

Basic Wage	£6.5
Median House Price	£575

Although a 1920s style property slump did not seem on the horizon, the evictions and homelessness of the 1930s (as well as the need to house ex-service people after the war) contributed to a decision by the then leaders of the Australian Labor Party that, if elected, they would significantly introduce government into the provision of housing. This was inaugurated through the first Commonwealth State Housing Agreements (CSHA). The inspiration for the CSHA was the decision made by the ALP-led McKell government (in New South Wales) which, in the year that it gained office (1941), obtained passage of a *Housing Act*. This act enabled the establishment of a NSW Housing Commission: the aim of which, as McKell declared in parliament, was to provide a “good, cheap house, either for rent or purchase for people earning around the basic wage.”<sup>18</sup>

Two years after McKell set up the NSW Housing Commission, and in the midst of the war in the Pacific, Curtin’s federal government (also an ALP administration) obtained passage of legislation to establish a federal housing commission: the financial means to underwrite this being achieved, the previous year, when the Curtin government assumed the states’ previously held capacity to levy income tax.<sup>19</sup> In 1944, the year of the D-Day landings, the

<sup>15</sup> See Keith Willey, “The Hungry Years: The 1930s” in Bruce Elder, Jacqueline Kent and Keith Willey (eds.), *Memories: Life in Australia since 1900* (Child and Associates, Sydney, 1988), p.67; Matthew Williams, *Australia in the 1930s* (Trocadero Publishing, Sydney, 1985), pp.14-15; Daisy Williams, “Unemployed” in Len Fox (ed.), *Depression Down Under*, second edition (Hale and Iremonger, Sydney, 1989), p.23.

<sup>16</sup> Anthony Endres, Len Perry and Glen Withers, “Labour” in Wray Vamplew (ed.), *Australians: Historical Statistics* (Fairfax, Syme and Weldon Associates, Sydney, 1987) p.152.

<sup>17</sup> *Official Year Book of New South Wales: 1950-51* (Bureau of Statistics and Economics, Sydney, 1955), p.988; Peter Abelson, “House and Land Prices in Sydney: 1925-1970” in *Urban Studies*, vol.22, no.6, December 1985, p.523.

<sup>18</sup> M.J. Barry, “The Role of the New South Wales Housing Commission in Post-War Reconstruction” in the *Australian Journal of Public Administration*, vol.48, no.3, September 1989, p.278.

<sup>19</sup> These ALP measures mirrored initiatives by the Labour Party in Britain. When campaigning

federal housing commission issued a report on its intentions. It declared that,

We consider that a dwelling of good standard and equipment is not only the need but the right of every citizen – whether the dwelling is to be rented or purchased, no tenant or purchaser should be exploited by excess profit.<sup>20</sup>

The very first Commonwealth State Housing Agreement was concluded, between the federal government (led by Chifley, after Curtin's death) and the states, in 1945. The federal government loaned money to the states, at a low rate of interest, to enable them to build dwellings for low income earners. The agreement was for the provision of housing that would only be available for rent. These dwellings would be provided, to low income earners, on the basis of a reduced scale of rents. The rent was to be 20% (one-fifth) of the basic wage. Rental rebates were provided to tenants where the rent charged exceeded 20% of their income. The Chifley government also agreed to meet 60% of the cost of rental losses incurred as a result of granting such rebates.<sup>21</sup>

In New South Wales, the then ALP government was emphatic that the government would play a large role in providing housing. During the 1947 NSW state election, the Premier (James McGirr) declared that, if elected, his government would provide 90,000 homes in three years.<sup>22</sup> Over the length of time that the first CSHA operated, the amount of money lent (and the number of houses built throughout Australia) were as follows:

---

for the British general election, in 1945, the Labour Party election manifesto promised "Homes for the People." See Eric Hopkins, *The Rise and Decline of the English Working Classes 1918-1990: A Social History* (Weidenfeld and Nicholson, London, 1991), pp.80,100.

<sup>20</sup> Clem Lloyd and Patrick Troy, *The Commonwealth Housing Commission and a National Housing Policy*, paper delivered at an Urban Research Unit Seminar, Research School of Social Sciences (Australian National University, Canberra, 1981), pp.22-24.

<sup>21</sup> Ibid.

<sup>22</sup> Peter Spearritt, *Sydney since the Twenties* (Hale and Iremonger, Sydney, 1978), p.96.

### 1945 CSHA: Money Lent by the Federal Government to the States and Homes Built<sup>23</sup>

	<i>Amount of Money Lent</i>	<i>Homes Built</i>
1945-1946	£6,795,000	4,028
1946-1947	£11,015,000	4,873
1947-1948	£13,305,000	6,427
1948-1949	£14,492,000	7,530
1949-1950	£17,215,000	7,438
1950-1951	£21,640,000	7,877
1951-1952	£26,547,000	8,783
1952-1953	£30,000,000	10,264
1953-1954	£37,200,000	12,683
1954-1955	£29,150,000	14,318
1955-1956	£33,200,000	11,917
TOTAL	£240,559,000	96,138

The average number of houses built, per year, was accordingly:

#### Average Number of Publicly Built Homes: 1945-1946 to 1955-1956

Average of Homes Built	8,740 per annum
------------------------	-----------------

Lionel Orchard has pointed out that, “The output of the [state] public housing authorities. . . as a percentage of all dwellings completed in Australia per annum. . . [amounted to] 20 per cent in the 1950s”.<sup>24</sup>

#### (c) Withdrawal From Intervention: The Menzies, Holt and McMahon Governments’ Commonwealth State Housing Agreements

Throughout the late 1940s and the early 1950s, commercial builders consistently voiced their opinion that housing should be predominantly provided on a commercial basis. In 1955, for instance, the secretary of the NSW Master Builders Association declared that the role of the state’s housing commission “should be limited to a necessary social service”.<sup>25</sup> Upon gaining office federally in late 1949, the Menzies government proceeded to act on

<sup>23</sup> *Year Book Australia: 1957* (Commonwealth Bureau of Census and Statistics, Canberra, 1957), p.62.

<sup>24</sup> Lionel Orchard, “Housing Policies” in Brian Head and Allan Patience (eds.), *From Fraser To Hawke* (Longman Cheshire, Melbourne, 1989), p.374.

<sup>25</sup> John Murphy, *The Commonwealth-State Housing Agreement of 1956 and the Politics of Home Ownership in the Cold War* (Urban Research Program, Australian National University, Canberra, 1995), p.24.

this basis. Menzies felt the situation favoured his doing so because, with the nation still engaged upon rebuilding, unemployment was low (remaining at around 1%).<sup>26</sup> At the same time, on the other hand, the outbreak of war in Korea (in June 1950) had led to a boom in Australia. Boris Schedvin wrote that,

The boom was pushed to higher levels of intensity by the spectacular rise in wool prices [caused by American bulk purchases for blankets and great coats] when the sales opened in Sydney on 29 August 1950. . . [by] March 1951. . . wool prices were . . . three times greater than the average of 1949/50. . . inflation. . . in the second quarter of 1950/51, jumped to an annual 18 per cent and peaked at 28 per cent in the final quarter of the year. . .<sup>27</sup>

The proceeds of the boom flowed into property investment (amongst other sectors). As Peter Abelson commented, “Real house prices took off in the 1950s”.<sup>28</sup> The commercial building industry consequently regained momentum, as illustrated by statistics for housing commencements in the second half of the 1950s:

#### Commercially-Supplied Housing Commencements: 1956 versus 1960<sup>29</sup>

1956	66,000
1960	81,000

Menzies decided to alter the support provided by the Commonwealth State Housing Agreement. Menzies moved towards this objective by removing the Chifley government’s commitment (retained during the first half of the 1950s) to meet 60% of the cost of losses, in rents, incurred as a result of providing rent rebates. The Menzies government also placed the provision of low income housing back in the hands of commercial builders by inserting new provisions, into a renegotiation of the CSHA under which 30% of CSHA funds were diverted to home loans.

As described by Clem Lloyd and Patrick Troy, under the 1956 CSHA “30 per cent. . . of Commonwealth funds for housing. . . [went] to a home builders account so homes could be bought through building or co-operative societies”. As the *Year Book Australia: 1962* further detailed the new arrangements:

In April 1955 the Commonwealth and the states entered into a supplementary agreement whereby the state governments were permitted to sell houses to tenants on terms. These were: deposit, 5% of the first £2,000 and 10 per cent of the balance

<sup>26</sup> C.B. Schedvin, *In Reserve: Central Banking in Australia 1945-1975* (Allen and Unwin, Sydney, 1992), p.192,

<sup>27</sup> *Ibid.*, pp.172-174.

<sup>28</sup> Abelson, “House and Land Prices in Sydney”, p.522.

<sup>29</sup> Trevor Sykes, *Two Centuries of Panic: A History of Corporate Collapses in Australia* (Allen and Unwin, Sydney, 1988), p.296.



of the purchase price of the house. . . and repayment of the balance to be made over a maximum period of 45 years at an interest rate of 4½ per cent a year.<sup>30</sup>

Carolyn Allport later remarked that Menzies changes “represented a considerable diversion of funds from the public rental sector to finance private home building.”<sup>31</sup> Susan Withycombe has added that, “Money from the Commonwealth-State Housing Agreement began to flow into the New South Wales. . . building societies the following year, 1956-7. New South Wales received £4,720,000. . . In 1958. . . another £2,360,000 came from the government.”<sup>32</sup> During the length of time that the 1956 CSHA operated, the following sums of money were lent and the following number of houses built:

**1956 CSHA: Money Lent by the Federal Government to the States and Homes Built<sup>33</sup>**

	Amount of Money Lent	Homes Built
1956-1957	£32,150,000	15,800
1957-1958	£33,160,000	11,900
1958-1959	£35,810,000	13,000
1959-1960	£36,080,000	13,000
1960-1961	£37,200,000	12,200
<b>TOTAL</b>	<b>£174,400,000</b>	<b>65,900</b>

Around 35,000 houses, built during the period of the 1956 CSHA, were sold.<sup>34</sup> Nevertheless on an overall level, the number of publicly built houses commenced, compared to commercially supplied houses, was around 20%, as indicated:

<sup>30</sup> *Year Book Australia: 1962* (Commonwealth Bureau of Census and Statistics, Canberra, 1962), p.366.

<sup>31</sup> Carolyn Allport, “Castles of Security: The NSW Housing Commission and Home Ownership 1941-1961” in Max Kelly (ed.), *Sydney: City of Suburbs* (University of NSW Press, Sydney, 1987), pp.113-114.

<sup>32</sup> Withycombe, op.cit., p.42.

<sup>33</sup> *Year Book Australia: 1958* (Commonwealth Bureau of Census and Statistics, Canberra, 1958), p.654; *ibid.* 1959, p.372; *ibid.* 1960, p.391; *ibid.* 1961, p.391.

<sup>34</sup> *Year Book Australia: 1963*, p.429.

### Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1956 - 1960<sup>35</sup>

Commercially Supplied House Completions	306,900
Publicly Supplied House Completions	65,900 (20% of total)

Although there was a lull in business conditions after the subsequent collapse of the Korean War boom, by the late 1950s another boom in both the business sector, and the property sector, had developed. This was partly initiated by Menzies' 1953-1954 budget which, as C.B. Schedvin noted, "included a range of taxation concessions". Schedvin further observed that, "by the end of 1959 the economy was in a boom. . .the share price index increased nearly 40 per cent in the year".<sup>36</sup> Between the late 1950s and 1961, unemployment, on the other hand, rose to 3%.<sup>37</sup> As a result of the Korean War boom, and the boom which developed at the end of the 1950s, house prices, between 1944 and 1960, rose approximately 700%:

### Sydney Median House Prices (approx.): 1949 versus 1960<sup>38</sup>

1949	£575
1960	£4,000
Nominal Increase	700%

Wages, however, had increased by less than half the increase in the level of house prices, as shown by the contrast in the basic wage levels for 1949 and 1960:

### Sydney Basic Wage: 1949 versus 1960<sup>39</sup>

1949	£6.5
1960	£14.7
Increase	225%

Despite the surge in house prices, the 1961 Commonwealth State Housing Agreement, negotiated while Menzies was still prime minister, moved the CSHA even further away from housing for low income earners, and more towards a home ownership scheme. As the

<sup>35</sup> Helen Bridge and R. Jackson, "Housing" in Vamplew (ed.), p.355.

<sup>36</sup> Schedvin, op.cit., pp.217, 305-306.

<sup>37</sup> Ibid., p.319.

<sup>38</sup> Abelson, "House and Land Prices in Sydney", p.523.

<sup>39</sup> *Official Year Book of New South Wales: 1950-51*, p.988; *Official Year Book of New South Wales: 1964*, p.178.

*Year Book Australia: 1962* pointed out “The 1945 agreement has been amended by the 1961 Housing Agreement so that the states may sell houses built under the 1945 agreement on terms decided by them”.<sup>40</sup>

Between 1961 and the beginning of 1966, when Menzies left the prime ministership, the following amounts of money were lent to the states and the following number of houses built:

**1961 CSHA: Money Lent By the Federal Government to the States and Homes Built<sup>41</sup>**

	Amount of Money Lent	Number of Homes Built
1961-1962	£51,743,000	12,300
1962-1963	£50,062,000	14,000
1963-1964	£52,132,000	12,200
1964-1965	\$115,116,000	13,200
1965-1966	\$124,242,000	15,000

Around 29,000 houses, during the years of the 1961 CSHA, were sold.<sup>42</sup> On the other hand, the percentage of publicly built houses, to commercially supplied, remained the same:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1961-1965<sup>43</sup>**

Commercially Supplied House Completions	329,600
Publicly Supplied House Completions	66,700 (20% of total)

In early 1966, Menzies decided to step down from being prime minister and Harold Holt took over. Unemployment meanwhile had declined to around 1%.<sup>44</sup> In the same year that he took office, Holt decided to conclude a new CSHA with the states. The 1966 CSHA essentially continued the nature of the arrangements as before but with an important innovation. As the (then) Advisory Council on Inter-Government relations later noted, the agreement contained a provision “to permit. . .the construction of blocks of flats of more than three stories.”<sup>45</sup>

During the years of the 1966 CSHA, monies lent and houses built were as follows:

<sup>40</sup> *Year Book Australia: 1962*, p.367.

<sup>41</sup> *Ibid.* 1963, p.427; *ibid.* 1964, p.381; *ibid.* 1965, p.369; *ibid.* 1966, p.290; *ibid.* 1967, p.278 (in 1966, Australia changed to decimal currency).

<sup>42</sup> *Ibid.* 1965, p.371; *ibid.* 1970, p.212.

<sup>43</sup> Helen Bridge and R. Jackson, “Housing” in Vamplew (ed.), p.355.

<sup>44</sup> Schedvin, *op.cit.*, p.344.

<sup>45</sup> Australian Council on Inter-Government Relations, *Australian Housing Policy and Intergovernmental Relations* (ACIR, Hobart, 1984), p.A-9.

### 1966 CSHA: Money Lent by the Federal Government to the States and Homes Built<sup>46</sup>

	<i>Amount of Money Lent</i>	<i>Number of Homes Built</i>
1966-1967	\$127,753,000	14,300
1967-1968	\$129,943,000	15,800
1968-1969	\$132,899,000	13,000
1969-1970	\$141,691,000	12,300
1970-1971	\$150,777,000	13,200

Around 28,000 houses, during the 1966 CSHA, were sold.<sup>47</sup> Again the percentage of publicly built houses, compared to commercially-supplied, remained at 20%:

### Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1966-1970<sup>48</sup>

Commercially Supplied House Completions	369,200
Publicly Supplied House Completions	66,600 (20% of total)

In 1971, William McMahon became prime minister. While unemployment had risen only slightly to 1½%,<sup>49</sup> between the time that McMahon's predecessor (Gorton) had taken over from Holt (1968) and McMahon's own ascendancy to the prime ministership, another property boom had developed. From the 1950s to the 1970s, a number of British insurance companies had begun building office blocks in Sydney. As the prices for office properties began to surge, local operators also began to borrow money to speculate in suburban land acquisition and subdivision. The price of a house in Australia rose, as follows, between the early 1960s and the beginning of the 1970s:

### Sydney Median House Prices: 1960 versus 1970<sup>50</sup>

1960	£4,000 (approx.)
1970	\$18,000
Nominal Increase	225%

Again, wages had risen, but not as much as house prices as figures from the *Australian*

<sup>46</sup> *Year Book Australia: 1968* (Commonwealth Bureau of Census and Statistics, Canberra, 1968), p.243; *ibid.* 1969, p.227; *ibid.* 1970, p.211; *ibid.* 1972, p.208.

<sup>47</sup> *ibid.* 1972, p.209.

<sup>48</sup> Helen Bridge and R. Jackson, "Housing" in Vamplew (ed.), p.355.

<sup>49</sup> Schedvin, *op.cit.*, p.466.

<sup>50</sup> Abelson, "House and Land Prices in Sydney", p.523; Peter Abelson and Demi Chung, "The Real Story of Housing Prices in Australia from 1970 to 2003" in *The Australian Economic Review*, vol.38, no.3, September 2005, p.269.

*Year Book* indicate:

### Sydney Basic Wage: 1960 versus 1970<sup>51</sup>

1960	£14.7
1970	\$39 (140% increase)

The five-year term of the 1966 CSHA finished in 1971 and McMahon decided not to renegotiate a new CSHA. Instead he decided to obtain passage of legislation to provide grants to the states to subsidise their loans for housing. As outlined by Dugald Monro, the *States Grants (Housing) Act 1971*, “provided a fixed amount of grants to the states as interest subsidies to lower the interest rate on the . . . funds the states applied for housing purposes.”<sup>52</sup>

Between 1971 and 1973 the amount of grants to the states, by the federal government, and the amount of houses built, were as follows:

### McMahon Government Grants for Housing and Homes Built: 1971-1973<sup>53</sup>

	<i>Amount of Grants</i>	<i>Number of Homes Built</i>
1971-1972	\$161.5 million	14,200
1972-1973	\$163 million	13,700

Under the McMahon government, the number of publicly supplied houses, compared to the number of commercially supplied houses, dropped for the first time:

### Commercially-Supplied House Completions to Publicly Supplied House Completions: 1971-1973<sup>54</sup>

Commercially Supplied House Completions	269,700
Publicly Supplied House Completions	38,500 (14% of total)

#### (d) Limited Assistance: The Whitlam Government, the early 1970s Property Boom and 1973 CSHA

The property boom, outlined in the previous sub-section, continued into the mid-1970s. As ever, an accompanying collapse in other areas of business activity (principally caused by

<sup>51</sup> *Official Year Book of New South Wales: 1964*, p.178; *Official Year Book of New South Wales: 1973*, p.504.

<sup>52</sup> Dugald Monro, *The Results of Federalism: An Examination of Housing and Disability Services* (PhD Thesis, University of Sydney, 2001), p.132.

<sup>53</sup> *Year Book Australia: 1973* (Australian Bureau of Statistics, Canberra, 1974), p.211; *ibid.* 1974, 227.

<sup>54</sup> Helen Bridge and R. Jackson, “Housing” in Vamplew (ed.), p.355.

the price of oil rising from \$6 a barrel to \$23 a barrel, between 1971 and 1973) led to a crash in property speculation. In September 1974, Cambridge Credit, which (at its peak) had been developing and selling up to 4,000 blocks of land a year, went into receivership. In October 1974, in Queensland, the Keith Morris building company was placed in liquidation. The following year Mainline Corporation, which had a controlling interest in the Victoria-based Glenvill Homes (at that time, the second largest commercial home builder in Australia) was also placed in liquidation.<sup>55</sup>

In late 1972 an ALP government (led by Gough Whitlam) gained office. On an overall level, Whitlam had no inclination to drastically intervene in the predominance of commercial interests in providing housing. As Whitlam's housing minister, Joe Riordan, commented in 1975,

the construction activities of the public sector are designed basically to complement rather than compete with the private sector. They cater for special areas of need. . . The government wants to see a healthy private sector continuing to dominate the industry. . . There is no intention or desire to increase the direct role of government in the industry.<sup>56</sup>

On the other hand, Whitlam's federal government considered that the results of the 1956, 1961 and 1966 CSHAs, negotiated by the Menzies and Holt governments, had substantially reduced the availability of public housing for low income earners. This can be seen by comparing the figures for public housing built and sold:

#### **Public Housing Built and Sold: 1956 - 1970**

Public Housing (Homes) Built	153,955
Public Housing (Homes) Sold	92,000

The average number of homes built for public availability, between 1956-1957 and 1970-1971, had consequently dropped by half:

<sup>55</sup> See Daley, *op.cit.*, pp.24-25; Sykes, *op.cit.*, pp.443-451 and 467-468; Michael Niemira and Philip Klein, *Forecasting Financial and Economic Cycles* (John Wiley and Sons, New York, 1994), p.291.

<sup>56</sup> Joe Riordan, "Need for a Healthy Private Sector" in *Shelter*, no.19, June 1975, pp.30-31.

### Average Number of Publicly Built, and Publicly Available, Homes: 1956-1957 to 1970-1971

Actual Annual Average of Publicly Built, and Publicly Available, Homes	4,425
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The Whitlam government was also concerned about the effects of the property boom on low income earners. It sought to remedy this by reversing the current thrust of the CSHA and negotiating a new arrangement. As Whitlam's minister for housing (Les Johnson) explained to parliament:

The agreement provides that, during each of the 5 years commencing in 1973-74, the commonwealth will make advances at low rates of interest, to the states, for welfare housing purposes. . .our assistance will henceforth be directed towards those families and persons most in need of it. . .Those eligible will be mainly the lower income families. . .in private rents or. . .in unsatisfactory accommodation.<sup>57</sup>

In 1973, Whitlam obtained passage of the *States Grants (Housing Assistance) Act (no.2) 1973* which allocated \$328 million to the states for welfare housing. A year later Whitlam obtained passage of the *States Grants (Housing Assistance) Act 1974* and the *Housing Agreement Act 1974* which provided a further \$310 million to the states for housing.<sup>58</sup> During the Whitlam government's period in office, the following amounts of money were lent to the states and the accompanying number of houses built:

#### 1973 CSHA: Money Lent by the Federal Government to the States and Homes Built<sup>59</sup>

	<i>Amount of Money Lent</i>	<i>Number of Homes Built</i>
1974-1975	\$385,400,000	7,900
1975-1976	\$364,600,000	11,900
1976-1977	\$375,000,000	14,500
1977-1978	\$390,000,000	8,953

Under the Whitlam government, however, true to the observation by Joe Riordan, the percentage of publicly supplied houses remained small compared to those provided by the commercial sector:

<sup>57</sup> Cited in Gough Whitlam, *The Whitlam Government 1972-1972* (Viking Press, Melbourne, 1985), p.451.

<sup>58</sup> Ibid., p.452.

<sup>59</sup> *Year Book Australia: 1975 and 1976* (Australian Bureau of Census and Statistics, Canberra, 1977), p.229; *ibid.* 1977 and 1978, p.460; *ibid.* 1980, p.483.

### Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1974-1976<sup>60</sup>

Commercially Supplied House Completions	267,500
Publicly Supplied House Completions	34,300 (13% of total)

#### (e) Terminating Intervention for Low Income Earners: Recession of the late 1970s and early 1980s and the Fraser Government's Commonwealth State Housing Agreements

Shortly after the collapse of the early 1970s property boom, another boom began. This was partly encouraged by Malcolm Fraser's Liberal Party – Country Party government, which took office in late 1975. In his 1977 budget, as Ross Gittins has written, “the Fraser government announced a major restructuring of the income tax scale, involving big tax cuts, particularly for high income earners.”<sup>61</sup> Luxury houses surged forward in price, as individual examples indicate:

#### Luxury House Price Rises in Selected Sydney Suburbs: late 1970s – early 1980s<sup>62</sup>

	1976	1981	Nominal Increase
Pittwater	\$231,735	\$1,660,000	700%

Between 1970 and 1980 the approximate median price, of a house in Sydney, rose nearly four times:

#### Sydney Median House Price: 1970-1980<sup>63</sup>

1970	\$18,700
1980	\$68,850
Nominal Increase	365%

Wage increases, however, still remained below the increase in house prices, as can be seen from the table below:

<sup>60</sup> Helen Bridge and R. Jackson, “Housing” in Vamplew (ed.), p.355.

<sup>61</sup> Ross Gittins, “The Great Disappointment” in the *SMH*, 1 December 1999, p.23.

<sup>62</sup> Jonathan Chancellor, “One the Grapevine, Home Goes For \$20m” in the *SMH*, 17 August 2002, p.1.

<sup>63</sup> Abelson and Chung, *ibid.*



**Sydney Basic Wage: 1970 versus 1980<sup>64</sup>**

1970	\$46
1980	\$146
Increase	320%

As a consequence of the boom in house prices, the cost of paying off a home loan began to move beyond the reach of low income earners. This is shown by the cost of home loan repayments in 1975:

**Home Loan Repayments and the Basic Wage: 1975<sup>65</sup>**

Basic Wage	\$83.30
Weekly Repayments on Standard Home Loan	\$27.50 (33% of basic wage)

This situation, in turn, contributed to a substantial rise in the level of poverty. The number of income units, living in poverty in Australia, was estimated in 1975 to be as follows:

**Poverty in Australia: 1975<sup>66</sup>**

Income Units Below Poverty Line	391,600
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Once more the late 1970s boom collapsed: propelled by accompanying international factors such as a rise in the price of oil to \$34 a barrel in the early 1980s (which, in turn, contributed to an international recession). Unemployment, in Australia, reached 6% in 1981 and then rose to 9.75% in 1983.<sup>67</sup>

It was only two or three years before house prices began to surge upwards that Malcolm Fraser's Liberal Party-Country Party government took office (after Whitlam's dismissal in 1975). Fraser decided not only to continue Menzies' (and Whitlam's) approach to housing (that it should principally derive from commercial sources) but essentially resolved to terminate public housing as a government-assisted recourse for low income earners. In 1978, Fraser concluded his first Commonwealth State Housing Agreement. Even though, by now, unemployment had reached 6%, federal funding for public housing was,

<sup>64</sup> *Year Book Australia: 1988* (Australian Bureau of Statistics, Canberra, 1988), p.294.

<sup>65</sup> See Commission of Inquiry into Poverty, *Poverty in Australia* (Parliament of the Commonwealth of Australia, Canberra, 1976), first report, p.170; *Year Book Australia 1975-1976* (Australian Bureau of Census and Statistics, Canberra, 1977), p.298. "Income unit" refers to the group within which income is to be shared. Income units include either the individual or the family. See Senate Community Affairs References Committee, *A Hand Up, Not a Hand Out: Renewing the Fight against Poverty*, Report on Poverty and Financial Hardship (Parliament of Australia, Canberra, 2004), p.28.

<sup>66</sup> Commission of Inquiry into Poverty, op.cit., p.27.

<sup>67</sup> Barrie Dyster and David Meredith, *Australia in the International Economy in the Twentieth Century* (Cambridge University Press, Melbourne, 1990), p.271.

significantly reduced.<sup>68</sup> Patrick Troy has remarked that, overall, the 1978 CSHA, was “a major attack. . . on public housing with the. . . conversion of public housing to residual welfare housing.”<sup>69</sup> From this moment on, public housing would tend to be for those on pensions, unemployment benefits or disability payments. Initiatives were begun, in the 1978 CSHA, to have public housing rents raised to market-related levels for those tenants who could afford them. Despite prices of houses surging, sales of public housing were to be at full market value.<sup>70</sup> In the CSHA that Fraser concluded with the states, three years later, the move to market-related rents was finalised and federal funding was further cut. The *Australian Year Book* figures for funding to the states for housing, provided by the Fraser government, are as follows:

**1978 and 1981 CSHAs: Money Lent by the Federal Government to the States and Homes Built: 1979/80 – 1983/84<sup>71</sup>**

	<i>Amount of Money Lent</i>	<i>Number of Homes Built</i>
1978-1979	\$316 million	10,500
1979-1980	\$160 million	7,000
1980-1981	\$175.5 million	5,300
1981-1982	\$146 million	5,700
1982-1983	\$146 million	5,400

Under Fraser, the number of publicly supplied houses, to the number of commercially supplied, shrank drastically as the following figures indicate:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1978-1982<sup>72</sup>**

Commercially Supplied Housing Completions	457,700
Publicly Supplied Housing Completions	33,900 (8% of total)

<sup>68</sup> Ibid.

<sup>69</sup> Patrick Troy, *Urban and Regional Development in Australia*, introductory remarks to the federated PhD scheme scholars (Canberra, 1992).

<sup>70</sup> Andrew Parkin, “Housing Policy” in Brian Galligan, Owen Hughes and Cliff Walsh (eds.), *Intergovernmental Relations and Public Policy* (Allen and Unwin, Sydney, 1991), p.245.

<sup>71</sup> *Year Book Australia: 1980* (Australian Bureau of Statistics, Canberra, 1980), p.483; *ibid.*, 1982, p.456; *ibid.* 1983, p.490; *ibid.* 1984, p.423; *ibid.* 1985, pp.408-409; *ibid.* 1986, pp.441-442..

<sup>72</sup> Helen Bridge and R. Jackson, “Housing” in Vamplew (ed.), p.355.

**(f) Rent Assistance (Instead of Public Housing) for People on Low Incomes: Unemployment, the Property Booms of the 1980s, and the Hawke Government's CSHAs**

As mentioned above, as a result of the global recession of the early 1980s, unemployment in Australia reached nearly 10%. This contributed, in turn, to the election of an ALP federal government in 1983 (led by Bob Hawke). Hawke decided firstly to encourage a dramatic surge in investment in the business sector. In late 1983 the banking sector was deregulated and companies began to borrow extensively. BHP for example, by 1988, had borrowed \$7.2 billion compared to \$9 billion that it held in assets.<sup>73</sup>

Meanwhile, Hawke demonstrated the same view towards the building sector as Whitlam had done in the 1970s. Just as Joe Riordan, Whitlam's last housing minister, had stressed that the "government wants to see a healthy private [building] sector", Hawke also considered that people should obtain their housing essentially from the commercial sector. To give the sector a boost, and to provide citizens a small subsidy to help them purchase, Hawke introduced a first home owners scheme. Members of the public, embarking on buying their first house, were (from October 1983) able to obtain a government subsidy (amounting to between \$2,000 and \$5,000). The scheme remained in operation between late 1983 and mid-1990 and, between 1983 and 1989, the number of applicants, and the amount of subsidies approved, were as follows:

**First Home Owners Scheme: Applications and Money Paid (1983/84 to 1988/89)<sup>74</sup>**

Applications Approved	333,631
Monies Paid	\$1,269,600,000 (average subsidy: \$3,800)

At the same time that unemployment in Australia had risen to 10%, as a combined result of the Menzies, Holt and Fraser changes to the CSHA (as Lionel Orchard has pointed out) the output of the state public housing authorities, as a percentage of all dwellings completed annually in Australia, had dropped "to between 6 per cent and 9 per cent".<sup>75</sup> Throughout Australia by 1983, on the other hand, as a result of the unemployment of the early 1980s, there were 125,570 people on the waiting lists for public housing.<sup>76</sup>

In response to this situation, the Hawke government decided to increase the level of government intervention in the provision of assisted housing and provide much of that funding through grants. Lionel Orchard observed that, in the Hawke government's 1984

<sup>73</sup> David Tomlinson, "Corporate Borrowing Binge Triggering a National Headache" in *The Australian*, 25 November 1988, p.1.

<sup>74</sup> *Year Book Australia: 1990* (Australian Bureau of Statistics, Canberra, 1990), p.583.

<sup>75</sup> Lionel Orchard, "Housing Policies" in Brian Head and Allan Patience (eds.), *From Fraser to Hawke* (Longman Cheshire, Melbourne, 1989), p.376.

<sup>76</sup> David Hayward, "The Reluctant Landlords? A History of Public Housing in Australia" in *Urban Policy and Planning*, vol.14, no.1, 1996.

CSHA, “federal funds for public rental housing and home ownership [were increased]. . . ‘market’ rents [were replaced] with a new system of ‘cost’ rents”.<sup>77</sup> The amount of federal funding, overall, was raised to the following levels:

**1984 CSHA: Money Granted by the Federal Government to the States and Homes Built: 1984/85-1988/89<sup>78</sup>**

	<i>Amount of Grants</i>	<i>Number of Homes Built</i>
1984-1985	\$495 million	13,000
1985-1986	\$510 million	12,215
1986-1987	\$517 million	11,685
1987-1988	\$550 million	9,701
1988-1989	\$530 million	9,500

On an overall level, however, the number of publicly built houses, compared to the number of commercially supplied, dropped to a level even slightly lower than under the Fraser government:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1986-1987 – 1988-1989<sup>79</sup>**

Commercially Supplied House Completions	283,600
Publicly Supplied House Completions	15,800 (5.5% of total)

In 1987 the Hawke government furthered its consolidation of its long range solution to the housing crisis when it re-introduced so-called “negative gearing” for those wishing to invest in houses or flats that they could subsequently rent to other people.<sup>80</sup> The first stage in this process had been embarked on between 1983 and 1986 when the Hawke government introduced rent assistance for those on social security benefits. Originally, as Terry Burke has described it, Menzies had introduced “A form of rental assistance called ‘supplementary assistance’. . . in 1958, but with very limited eligibility – mainly widows and single aged pensioners. . . in 1963 there were only 9,518 recipients”.<sup>81</sup> In 1983 the Hawke government made rent assistance available to pensioners and then, in 1986, extended it to the long term unemployed.<sup>82</sup>

<sup>77</sup> Orchard, op.cit., p.377.

<sup>78</sup> *Year Book Australia: 1986* (Australian Bureau of Statistics, Canberra, 1986), p.442; *ibid.*, 1988, pp.703-705; *ibid.*, 1989, p.585; *ibid.*, 1990, p.586. *Monro, op.cit.*, p.164.

<sup>79</sup> *Year Book Australia: 1988*, p.716; *ibid.*, 1989, p.597; *ibid.*, 1990, p.596.

<sup>80</sup> Peter Walsh, *Confessions of a Failed Finance Minister* (Random House, Melbourne, 1995), p.183.

<sup>81</sup> Terry Burke, “Private Rental in Australia” 1999, p.4 available at <<http://www.sisr.edu.au>>.

<sup>82</sup> Martin Burgess, “Rent Assistance: Fiction and Facts”, paper presented at the *National Housing Conference*, Adelaide, 2003, p.2.

Meanwhile, at the same time that a boom began in the business sector (in the mid-1980s), speculators proceeded to borrow to invest in property. A great deal of money went into the acquisition of commercial buildings and hotels, but a substantial amount also went into residential property. In 1987, once more against the background of an international downturn, the local share market crashed: but the boom in property continued for another two years. Luxury house prices increased dramatically, as selected sales indicate:

**Luxury House Price Rises in Selected Sydney Suburbs: 1970s – mid/late 1980s<sup>83</sup>**

	1970s	1980s	Nominal Increase
Mosman	\$193,500	\$2,500,00	1,300%

During the late 1980s, Sydney median house prices surged upwards correspondingly. This occurred at a time when wages had been kept low, by the Hawke government, as a means of encouraging the very boom that occurred in the mid 1980s. As John Edwards, Keating's economics adviser, later wrote:

During the 1980s the Hawke government pursued a . . . policy of reducing wages by an agreement with the peak trade union body. . . Under the agreement, increases for the vast bulk of the workforce were administered through the Industrial Relations Commission. . . Most employees received one or two increases a year, which were set by the commission.<sup>84</sup>

Abelson and Chung have recorded the surge in the media house price, in Sydney, accordingly:

**Sydney Median House Prices: 1980 versus 1989<sup>85</sup>**

1980	\$68,850
1989	\$170,850
Increase	245%

Wages increased noticeably less than house prices, as illustrated in the table below:

<sup>83</sup> SMH, "Domain", 31 August 2002, p.3H.

<sup>84</sup> John Edwards, *Australia's Economic Revolution* (University of NSW Press, Sydney, 2000), p.29.

<sup>85</sup> Abelson and Chung, *ibid.*

### Australian Basic Wage: 1980 versus 1989<sup>86</sup>

1980	\$146
1989	\$192
Increase	130%

In 1989 the four major banks made a combined record profit of \$2.79 billion.<sup>87</sup> But in the same year the boom in property finally collapsed and a number of the major companies involved went into receivership: Quintex, Hooker Corporation, Pyramid Building Society, Girvan Corporation, Estate Mortgage and others.<sup>88</sup>

Meanwhile as result of both the collapse in the share market and the subsequent collapse in the property boom, by 1992 the unemployment rate had risen to 11%.<sup>89</sup> Through the surge in property prices, by 1988, according to estimates by the Real Estate Institute of NSW, “\$1,269 of a family’s monthly income was spent on home loan repayments.”<sup>90</sup> The essential contrast between level of repayments, and the basic wage, was as follows:

### Basic Wage versus Average Home Loan Repayments: 1988<sup>91</sup>

Basic Wage	\$193
Weekly Repayments on Standard Home Loan	\$122 (60% of basic wage)

This situation caused the Real Estate Institute of Australia to declare, at the end of 1988, that,

With most lending institutions adopting a home loan affordability criterion of one quarter of gross income, there is no way a prudent NSW lender would allow a family on average family income to borrow the average [home] loan.<sup>92</sup>

This in turn, coupled with the crash of the share market in 1987, increased the level of poverty in the nation as illustrated by the following table:

<sup>86</sup> See ACCI, *Submissions in Support of the ACCI/VECCI Federal Minimum Wage Application* (ACCI, Melbourne, 1998), p.22.

<sup>87</sup> Tim Blue, “Profit Recovery by Next Year, Brokers Predict” in *The Australian*, 24 December 1992, p.20.

<sup>88</sup> Trevor Sykes, *The Bold Riders: Behind Australia’s Corporate Collapses* (Allen and Unwin, Sydney, 1994), pp.604-606.

<sup>89</sup> Jenny Stewart, *The Myth of the Level Playing Field: Industry Policy and Australia’s Future* (Reed Books, Melbourne, 1994), p.58.

<sup>90</sup> *Real Estate Journal of New South Wales*, vol.44, no.2, April 1994, p.2.

<sup>91</sup> ACCI, op.cit., p.24. See also Penny Robinson, “Deferring Life To Own a Home” in *The Australian*, 27 June 1988, p.9.

<sup>92</sup> Pilita Clark, “Banks Warned on Home Lending” in the *SMH*, 28 December 1988, p.1.

### Income Units Below the Poverty Line: 1981-1982 versus 1989 – 1990<sup>93</sup>

1981-1982	550,000
1989-1990	993,000

Only a year after the collapse in the property boom at the end of the 1980s, however, the property sector began to surge forward again. In 1991 the Premier of Queensland (Wayne Goss) officially opened the Grand Mariner Building: then the tallest building on the Gold Coast.<sup>94</sup> In the same year (despite the Hawke government terminating the first home buyer's grant in 1990) new housing finance approvals began to rise: the combined sales of the 24 largest residential-based agencies totalling \$33 billion (only \$5 billion below the 1989 record).<sup>95</sup>

During the next two years, the recently formed Keating government actually proceeded to rely on the commercial housing sector to boost business expansion. Brian Howe, Keating's Housing Minister, according to Jonathan Frith, declared that between 1992 and 1994 "the housing sector. . . buoyed the economic recovery".<sup>96</sup> In late 1993 the share market's all ordinaries index reached 2000 for the first time since 1987 (when it had dropped to around 1500).<sup>97</sup>

The banks, meanwhile, took advantage of the situation to become major participants in the resurgence of commercially supplied housing. Martin Abbott and Chris Doucouliagos have described how "after the share market crash in 1987 "there was a growing reluctance of the banks. . . to advance funds to the [building] societies. . . in Victoria. . . [the] government. . . withdrew the government guarantee on private sector funding [in 1992]. . . In New South Wales. . . the guarantee was suspended in June 1994."<sup>98</sup>

With the commercial housing sector now being used to propel recovery in the business sector, the Keating government was reluctant to re-introduce government as a competitor to the housing sector and now began to turn even more to rent subsidies as a means to support people on low incomes.

In 1989 the Hawke government concluded a new CSHA with the states. As Dugald Monro has explained,

The [Hawke government's] objective of preventing a decline in the rate of additions

<sup>93</sup> Peter Saunders, *Welfare and Inequality: Evaluating Social Policy* (Allen and Unwin, Sydney, 1996), p.269.

<sup>94</sup> "Good Omen For Opening" in *The Australian*, 16 November 1991, p.54.

<sup>95</sup> Jonathan Chancellor, "Don't Count On A '90s Boom" in the *SMH*, 30 January 1993, p.71.

<sup>96</sup> Joshua Frith, "Housing Boom To Peak Soon: Industry" in *The Australian*, 16 May 1994, p.2.

<sup>97</sup> Matthew Russell, "Shares Soar Beyond 2000" in *ibid.*, 7 October 1993, p.1.

<sup>98</sup> Abbott and Doucouliagos, *op.cit.*, pp.120-121.

to the rental stock was not achieved. . .The 1989 agreement [which] allowed the states to spend funds on repayments of Commonwealth loans up to the amount of rental losses. . .using rental funds for upgrading of dwellings. . .reduced the capacity to expand the stock. . .<sup>99</sup>

On an overall level, during the period of the 1989 CSHA there was a shrinkage in the provision of public housing:

**1989 CSHA: Money Granted by the Federal Government to the States and Homes Built: 1989/90 to 1993/94<sup>100</sup>**

	<i>Amount of Grants</i>	<i>Number of Homes Built</i>
1989-1990	\$793 million	9,485
1990-1991	\$792 million	9,500
1992-1993	\$829 million	7,000
1993-1994	\$803 million	6,000
1994-1995	\$776 million	5,000
1995-1996	\$762 million	4,000

During the last years of the Hawke government, and the early years of the Keating government, the continuity of policy between the two administrations continued, as the number of publicly built houses, compared to the number of commercially supplied houses, shows:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1989-1990 to 1992-1993<sup>101</sup>**

Commercially Supplied House Completions	415,500
Publicly Supplied House Completions	15,200 (4% of total)

Indeed some state governments were actually considering selling-off government acquired land (intended for public housing). Despite the fact that, in New South Wales, an unemployment rate of 11% had contributed to a public housing waiting list of over 71,000, the then Fahey government announced that it was considering selling over 3,000 blocks of land bought by previous NSW governments for housing commission dwellings.<sup>102</sup>

<sup>99</sup> Monro, *op.cit.*, pp.163-165.

<sup>100</sup> *Year Book Australia: 1990* (Australian Bureau of Statistics, Canberra, 1991), p.585; *ibid.*, 1995 p.634; *ibid.* 1996, p.547; See also Greg McIntosh and Janet Phillips, *Commonwealth State Housing Agreement* (Library of the Australian Parliament, Canberra, 2001); Department of Social Security, *Housing Assistance Act 1989*, annual reports, table A1.05; Monro, *op.cit.*, p.164

<sup>101</sup> *Year Book Australia: 1991* (Australian Bureau of Statistics, Canberra, 1991), p.551; *ibid.*, 1992, p.551; *ibid.*, 1994, p.605; *ibid.*, 1995, p.608.

<sup>102</sup> See Richard Macey, "Hard Times Stretch the Queue for Housing" in the *SMH*, 29 July 1992, p.5; Mark Coultan, "Public Housing Land to be Sold" in *ibid.*, 20 October 1993, p.7.



On the other hand, investment in residential rental property increased significantly to the point where, by 1993, the number of people, throughout Australia, who had invested in rentable property (courtesy of negative gearing) had risen to 752,100.<sup>103</sup> Low income earners, rather than being considered a section of the community that should be helped (as in 1945), were now perceived as a group that money could be made out of. The increased emphasis in rent assistance, as a means to assist low income earners, appeared to confirm this. In 1995, a year before losing office, Keating underlined this approach when he issued a major statement on housing in which he declared that his government's policy should be to,

reduce public housing waiting lists by improving the scope for people to choose private rental accommodation. . .<sup>104</sup>

There was indeed, during the term of office of the Keating government, a significant increase in the number of people on low incomes who were renting commercially supplied accommodation:

**Low Income Households Renting Commercially Supplied Accommodation: 1990-94<sup>105</sup>**

1990	176,100
1994	211,400

At the same time, according to Martin Burgess, while unemployment was increasing from 5.7% in 1989-1990, to 11% in 1992,

Much of the growth in rent assistance occurred between 1989-90 and 1993-4. . . The number of persons paid rent assistance with unemployment related benefits more than doubled between June 1991 and 1992 when the twenty-six week waiting period, for those without children, was removed for most groups from 20 March 1992. . . The maximum rate of rent assistance payable to an unemployed person without children was increased from \$10 per week in June 1989 to \$30 per week in September 1990. The maximum assistance for a person with children was increased from \$20pw to \$40 pw over the same period. . . A major restructure of the program took place in 1993. This included the introduction of higher minimum rent that varied with family type, offset by a more generous government contribution rate (increased from 50c in the dollar to 75 cents).<sup>106</sup>

The rise in those receiving rent assistance, between the period of the Hawke government

<sup>103</sup> *Year Book Australia: 1995*, p.621.

<sup>104</sup> *Community and Nation*, statement by the Prime Minister of Australia, the Honourable Paul Keating MP (Australian Government Publishing Service, Canberra, Canberra, 1995), p.5.

<sup>105</sup> Australian Bureau of Statistics, *Australian Social Trends 1995: Housing – Housing Costs, Low Income Private Renters* (Australian Bureau of Statistics, Canberra, 1997).

<sup>106</sup> Burgess, op.cit., p.2.

and that of the Keating government, can be illustrated accordingly:

**Recipients of Rent Assistance: 1989-1990 – 1993-1994<sup>107</sup>**

1989-1990	685,000
1993-1994	970,000

As Terry Burke commented in 1999 “private rental assistance has now replaced public housing as the major platform for low income housing assistance in Australia.”<sup>108</sup>

**(g) Rental Assistance for Low Income Earners: The Property Boom of the late 1990s and the Howard Government’s 1996, 1999 and 2003 CSHAs**

In 1996 the Howard government took office and proceeded to boost business expansion to an even greater degree. One measure it took, after being re-elected in 1998, was to increase the level of indirect taxation (enabling the government to reduce the level of company tax). Equally significantly (and as many governments had done before it) it also sought to boost investment in property. This was achieved, in 1999, by a cut to the capital gains tax. This tax measure later encouraged the banks to expand their lending for housing. In 1999 the amounts of money, lent by the four major banks for housing, stood as follows:

**Four Major Australian Banks’ Lending for Housing: 1999<sup>109</sup>**

Commonwealth Bank	\$34.8 billion
Westpac	\$28.1 billion
National Australia Bank	\$28 billion
ANZ	\$22 billion
TOTAL	\$112.9 billion

On the other hand, as a result of the booms and busts of the 1980s and early 1990s (and as a result of the suppression of wage increases during the same period), by 1996 the number of people in poverty had risen to an even greater level:

<sup>107</sup> Ibid., p.1.

<sup>108</sup> Burke, op.cit., p.5.

<sup>109</sup> Reserve Bank of Australia, *Bulletin* (October 1999), table B.10, “Assets – Individual Banks”.

### Poverty in Australia: 1996<sup>110</sup>

Number of People in Poverty	2,000,000 (approx.)
Total Population	18,310,000

The Howard government abolished the position of Minister for Housing. Responsibility for housing matters has since been transferred to the Department of Family and Community Affairs.<sup>111</sup> As described by Angelo Karantonis, the 1996 CSHA intended to “convert the \$1.5 billion used by the CSHA for construction and maintenance into cash assistance for private and public renters (who will pay higher rents).”<sup>112</sup> As Dugald Monro has added, “many of the Commonwealth controls over state expenditure. . . were removed. . . These included the requirement that a minimum of funds be spent on capital requirements.”<sup>113</sup> Furthermore, according to Emma Baker, the Howard government, in its 1996 housing agreement with the states, moved towards “the tightening of eligibility requirements, the culling of waiting lists, and the end of expectation of lifetime tenure.”<sup>114</sup> The change of policy, under the Howard government, can be seen in the decline in funding under the 1996 Commonwealth State Housing Agreement:

### 1996 CSHA: Money Granted by the Federal Government to the States<sup>115</sup>

	Amount of Grants
1996-1997	\$731 million
1997-1998	\$630 million
1998-1999	\$703 million

As a result of the cuts in the 1996 CSHA, the number of publicly supplied houses, compared to the number of commercially supplied houses, dropped even lower, as

<sup>110</sup> See Anthony King, “Income Poverty since the early 1970s” and Bob Gregory and Peter Sheehan, “The Collapse of Full Employment” in Ruth Fincher and John Nieuwenhuysen, *Australian Poverty: Then and Now* (Melbourne University Press, Melbourne, 1988), pp.78,118; Peter Saunders, *The Poverty Wars: Reconnecting Research with Reality* (University of New South Wales Press, Sydney, 2005), p.46; *Year Book Australia 1998* (Australian Bureau of Statistics, Canberra, 1998), p.134.

<sup>111</sup> Vivienne Milligan, *How Different? Comparing Housing Policies and Housing Affordability Consequences for Low Income Households in Australia and the Netherlands* (PhD Thesis, University of Utrecht, 2003), p.149.

<sup>112</sup> Angelo Karantonis, *Housing Policy – Is the Government Fulfilling its Role?* (University of Technology, Sydney, 1997), p.10.

<sup>113</sup> Monro, op.cit., p.169.

<sup>114</sup> Emma Baker, *Public Housing Tenant Relocation: Residential Mobility, Satisfaction and the Development of a Tenant’s Spatial Decision Support System* (PhD Thesis, University of Adelaide, 2002), pp.5-5.

<sup>115</sup> McIntosh and Phillips, op.cit.

indicated:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1996-1997 to 1999<sup>116</sup>**

Commercially Supplied House Completions	271,418
Publicly Supplied House Completions	5,798 (2% of total)

At the same time, the number of workers on low wages had noticeably increased between the late 1980s and the mid-1990s:

**Individual Employees by Equivalent Income Unit Quintiles: 1989/90 – 1995/96<sup>117</sup>**

	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	Total No. Workers
Low Paid 1989/90	19.8%	21.4%	23%	22.1%	13.7	6,101,000
Low Paid 1995/96	35.7%	26.3%	16.4%	13.3%	8.3%	6,658,000

By the end of the 1990s, there were 221,632 households (nationally) on the waiting lists for public housing.<sup>118</sup>

The Howard government encouraged further investment in property. As mentioned above, in 1999 the Howard government altered the capital gains tax. As the Productivity Commission outlined the changes:

Capital gains tax [CGT] applies to many classes of assets, including housing, acquired after September 1985. It is payable when assets are sold. . . The taxable amount of capital gain is added to income in the year of sale. . . The taxpayer's main residence is exempt from CGT. . . since 21 September 1999. . . Under the new arrangements, individuals and trusts receive a discount of 50 per cent for assets (including investment housing) held for longer than 12 months. . .<sup>119</sup>

To entice those who had not yet bought a home, to buy one, the Howard government (in 2000) reintroduced the Hawke government's first home owner's scheme. Initially a grant of up to \$7,000 was made available to people seeking to acquire their first home. In 2001 the Howard government doubled the level of the grant (to \$14,000) but, a year later, reduced it (to \$10,000).<sup>120</sup> Between mid-2000 and the beginning of 2004 the following number of

<sup>116</sup> Year Book Australia: 1998 (Australian Bureau of Statistics, Canberra, 1998), p.556; *ibid.*, 1999, p.506; *ibid.*, 2001, p.736.

<sup>117</sup> Tony Eardley, *Working But Poor? Low Pay and Poverty in Australia* (Social Policy Research Centre, Sydney, 1998), p.23.

<sup>118</sup> Milligan, *op.cit.*, p.158.

<sup>119</sup> Productivity Commission, *First Home Ownership* (Productivity Commission, Melbourne, 2005), p.77.

<sup>120</sup> Michael McKinnon and Samantha Maiden, "Secret Warnings on Home Grants" in *The Australian*, 13 July 2004, p.4.

applicants received the subsidy, and the following amount of money was disbursed:

**First Home Owners Scheme: Applications and Money Paid (mid-2000 – early 2004)<sup>121</sup>**

Applications Received	550,000
Money Paid	\$4.3 billion (average: \$7,800)

This in turn, side-by-side with a general boom in business conditions, has led to yet another boom in property with the price of luxury houses, noticeably in Sydney, increasing dramatically in particular suburbs:

**Luxury House Price Rises in Selected Sydney Suburbs: 1970 – 2005<sup>122</sup>**

	1970s	1980s	1990s	2000s	Nominal Increase
Roseville	\$82,500			\$1,750,000	2,000%
Randwick	\$197,500			\$4,300,000	2,200%

This contributed to a situation where the median house price, throughout Australia, rose to the following levels, between the late 1990s and the early 2000s:

**Median House Prices Australia: 1997-2003<sup>123</sup>**

1997	\$191,100
2003	\$367,000
Nominal Increase	190%

Wages, on the other hand, only rose by just over half that of house prices, as indicated in the following table:

<sup>121</sup> Productivity Commission, op.cit., p.71.

<sup>122</sup> *Sydney Morning Herald (SMH)*, "Domain", 5 April 2003, p.2H; *SMH*, 16 June 2001, p.17.

<sup>123</sup> Figures for median house prices supplied by the Australian Treasury. Toni O'Loughlin reported in the *SMH* that, "The government's first home owner grant scheme has triggered an 8 per cent surge in housing prices". See "Novice Buyers Take Soaring Home Market for Granted" in the *SMH*, 13 November 2001, p.2.

### Australian Basic Wage: 1997 - 2003<sup>124</sup>

1997	\$359.40
2003	\$431.40
Increase	120%

In 1999 the Howard government concluded another CSHA with the states. As Emma Baker observed, this “agreement shows a clear. . .direction concentrated on. . .reliance on the private market and rent assistance.”<sup>125</sup> Significantly, as Monro has highlighted, “Unlike all earlier agreements, the 1999 CSHA was not debated in the Commonwealth parliament.”<sup>126</sup> Funding, under the 1999 CSHA, was similar to the previous agreement:

### 1999 CSHA: Money Granted by the Federal Government to the States for 1999/2000 and 2000/2001<sup>127</sup>

	Amount of Grants
1999-2000	\$763 million
2000-2001	\$753 million

Under this agreement, the proportion of public housing, to commercially supplied housing, has declined even further:

### Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 1999-2000 to 2001-2002<sup>128</sup>

Commercially Supplied House Completions	294,713
Publicly Supplied House Completions	4,949 (1.5%)

In 2000 the Howard government extended rent assistance to recipients of its newly introduced Family Tax Benefit (Part A) or FTB (A). Currently FTB (A) is paid for dependent children up to (and including 20 years), and for dependent full-time students up

<sup>124</sup> In 1997 the safety net review, conducted by the Australian Industrial Relations Commission (AIRC), accepted a submission from the ACTU that the minimum wage be made equivalent to the C14 classification of the metal trades industry award. This increased the minimum wage from \$260 a week (in 1996) to \$359.40 a week (in 1997). See ACCI, op.cit., p.25.

<sup>125</sup> Baker, *ibid.*

<sup>126</sup> Monro, op.cit., p.176.

<sup>127</sup> McIntosh and Phillips, op.cit.

<sup>128</sup> Australian Bureau of Statistics, *Building Activity: Australia*, ABS Catalogue 8752.0, December Quarter 2000 (Australian Bureau of Statistics, Canberra, 2001), p.20; ABS Catalogue 8752.0, December Quarter 2001, p.20; ABS Catalogue 8752.0, December Quarter, 2002, p.20.

to the age of 24 years. The full rate of payment ends at a combined income level of \$33,361 per annum, and is then reduced incrementally. The maximum rate of payment (in the case of recipients earning \$33,361 or less per annum) for older teenage dependent children aged 16-17 years is \$34 per week, and \$42 per week for dependent children older still (or full-time students) aged 18-24. For people earning \$33,361 per annum or less, with younger dependent children, the maximum rates of payment are \$81 per week for children up to 12 years, and \$99 per week for children aged 13-15 years. The income levels per annum, beyond which only the base rate of FTB(A) is payable, are \$45,479 for one dependent child (between the ages of 13-15 years) up to \$120,413 for three dependent children (between the ages of 13-5 years).<sup>129</sup>

Those receiving more than the base rate of FTB(A) were made eligible for rent assistance. Receiving rent assistance, via FTB(A), has not necessarily eased the housing affordability burdens for many people. The number of recipients of rent assistance, who receive it through receiving FTB(A), are relatively few compared to the total as can be seen accordingly:

**Income Units Receiving Rent Assistance via Family Tax Benefit (A), Compared to Total Australia-Wide: 2002<sup>130</sup>**

Income Units Receiving Rent Assistance via FTB(A)	81,178
Total Income Units Receiving Rent Assistance, Australia-Wide	943,877

By 2002 however, at the height of the housing boom, those on low incomes were finding affordable housing even harder to obtain. Professor Mike Berry, in a report on housing affordability, concluded that in,

Adelaide, Melbourne and Sydney. . . No low income [currently renting] tenant household could afford to buy the average priced three bedroom house anywhere in . . . [these] cities.<sup>131</sup>

In 2003 the Howard government finalised its third CSHA with the states. Under this agreement, funding was reduced, as the figures for the first year of the agreement indicate:

<sup>129</sup> See Australian Government Family Assistance Office, *Factsheet – Family Tax Benefit A*.

<sup>130</sup> Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services: 2003* (Productivity Commission, Melbourne, 2003), p.16.69.

<sup>131</sup> Mike Berry, *New Approaches to Expanding the Supply of Affordable Housing in Australia: An Increasing Role for the Private Sector* (Australian Housing and Urban Research Institute, Melbourne, 2002), p.6.

**2003 CSHA: Money Granted by the Federal Government to the States for 2003/04<sup>132</sup>**

	Amount of Grants
2003-2004	\$725 million

As before, the number of houses supplied publicly, compared to the number of houses supplied commercially, remained at an all-time low of 1.5%:

**Commercially-Supplied House Completions, Compared to Publicly Supplied House Completions: 2003-2004<sup>133</sup>**

Commercially Supplied House Completions	115,603
Publicly Supplied House Completions	1,565 (1.5% of total)

**4. AFFORDABLE HOUSING IN 2005****(a) The Gap Between Low Wages and House Prices**

Between 1980 and 2002, the basic wage (after tax) has risen 300% but the median house price has risen 600%. This can be shown accordingly:

<sup>132</sup> *Year Book Australia: 2005* (Australian Bureau of Statistics, Canberra, 2005), p.268.

<sup>133</sup> Australian Bureau of Statistics, *Building Activity: Australia*, ABS Catalogue 8752.0, March Quarter 2005, p.25.



**Basic Wage versus Median House Prices (approx.): 1980-2003<sup>134</sup>**

<i>Year</i>	<i>Basic Wage per Week</i>	<i>Australia Median House Price</i>
1980	\$135	\$53,300
1981	\$140	\$61,300
1982	\$145	\$61,000
1983	\$151	\$66,700
1984	\$157	\$73,200
1985	\$161	\$81,200
1986	\$171	\$88,200
1987	\$181	\$100,900
1988	\$193	\$143,800
1989	\$214	\$142,000
1990	\$214	\$135,500
1991	\$230	\$144,600
1993	\$238	\$149,900
1994	\$238	\$154,700
1995	\$246	\$159,600
1996	\$260	\$172,100
1997	\$349	\$191,100
1998	\$359	\$203,200
1999	\$373	\$228,500
2000	\$385	\$243,000
2001	\$400	\$282,300
2002	\$413	\$319,400

Given that the after tax weekly income of a husband and wife, on the basic wage, would have been around \$800 a week in 2002, the difficulty faced by low wage earners in paying off a housing loan (on a median priced house), was highlighted by the consulting firm ACIL (basing their figures of an assumed total of 5,865,500 income units in Australia):

**Median House Price, Repayments and Required Income: 2002<sup>135</sup>**

<i>House Price</i>	<i>Repayment</i>	<i>Required Income</i>	<i>Income Units Able To Afford</i>
\$300,000	\$386 per week	\$1,288 per week	821,170 (14% of 5,865,500 total)

<sup>134</sup> Figures for Australian median house prices supplied by the Australian Treasury. As mentioned above, in 1997, in the course of the safety net review conducted by the AIRC, the commission accepted an ACTU submission that the minimum federal minimum wage be made equivalent to the C14 classification of the metal trades industry award.

<sup>135</sup> ACIL, *Landcost: The Impact of Land Costs on Housing Affordability* (ACIL, Canberra, 2002), p.16.

### (b) The Decline in First Home Buyers and the Increase in Debt

Despite the substantial number of people who have availed themselves of the first home buyers' schemes, in recent years the number of first home buyers, in Sydney, has shrunk. This indicated by a recent summary, in the press, of a report by the Commonwealth Bank and the Housing Industry Association:

#### **First Home Buyers as a Proportion of All Home Buyers: Sydney (2003)<sup>136</sup>**

First Home Buyers in Sydney (as a percentage of all Home Buyers in Sydney)	13%
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By 2002 in fact, in 27 out of Sydney's 43 municipalities, the median house price had risen to over \$500,000.<sup>137</sup> Meanwhile, in the same year, the estimated cumulative debt of Australian households reached \$590 billion. \$379.5 billion was debt accumulated for housing.<sup>138</sup> Just recently John Collett, writing in the *Sydney Morning Herald*, quoted the Real Estate Institute of Australia's estimate of a median house price, in the middle-ring suburbs of Sydney, to be \$560,000. Collett then quoted InfoChoice as estimating that the mortgage repayments (over 25 years) on such a house would be \$47,496 a year (or \$913 a week).<sup>139</sup>

### (c) Availability of Public Housing in New South Wales

On an overall level, there are 128,353 dwelling units owned by the Department of Housing in NSW. The proportion of these in the various local government areas of the state, in descending order, is as follows:

<sup>136</sup> Matt Wade, "Crisis Forces Home Inquiry" in the *SMH*, 2 August 2003, p.1.

<sup>137</sup> Jonathan Chancellor, "Half a Million: It's A Mean Figure for Home Buyers" in the *SMH*, 27 November 2002, p.3.

<sup>138</sup> Australian Bureau of Statistics, *Financial Accounts*, ABS Catalogue 5232.0, June Quarter (Australian Bureau of Statistics, Canberra, 2002), p.38. See also Alan Wood, "Outlook Negative for Investors in Housing" in *The Australian*, 8 June 2002, p.37.

<sup>139</sup> John Collett, "Home Savings" in the *SMH*, "Money", 7-11 November 2005, p.8.

**Dwellings Owned by NSW Housing Department by Local Government Areas: 2003<sup>140</sup>**

Blacktown	10,194	Bathurst	690	Gunnedah	197
Campbelltown	7,259	Queanbeyan	690	Ashfield	195
Wollongong	6,871	Hornsby	685	Leeton	190
South Sydney	6,666	Cessnock	620	Inverell	188
Bankstown	6,526	Greater Taree	613	Young	185
Parramatta	5,585	Ballina	589	Broken Hill	156
Liverpool	4,963	Strathfield	563	Deniliquin	143
Fairfield	4,809	North Sydney	532	Wollondilly	142
Newcastle	4,127	Greater Lithgow	512	Scone	132
Randwick	4,058	Lismore	504	Cooma	131
Lake Macquarie	3,867	Muswellbrook	452	Wellington	114
Canterbury	3,314	Blue Mountains	443	Bellingen	107
Penrith	2,879	Willoughby	436	Yass	100
Holroyd	2,796	Waverley	428	Cobar	96
Leichhardt	2,448	Armidale	417	Narromine	96
Gosford	2,290	Singleton	412	Glen Innes	86
Sutherland	2,145	Grafton	411	Junee	83
Wyong	1,862	Baulkham Hills	398	Lachlan	83
Shell Harbour	1,844	Wingecarribee	394	Narrandera	81
Botany Bay	1,707	Camden	367	Woollahra	78
Maitland	1,474	Burwood	350	Blayney	73
Wagga	1,395	Hunters Hill	349	Coonabarabran	72
Ryde	1,368	Eurobodalla	337	Coonamble	71
Hurstville	1,317	Bega Valley	332	Mosman	71
Shoalhaven	1,243	Griffith	332	Temora	70
Coffs Harbour	1,233	Parkes	318	Gilgandra	65
Albury	1,109	Kempsey	316	Hay	60
Orange	1,065	Manly	316	Kiama	60
Warringah	975	Richmond Valley	314	MacLean	59
Dubbo	942	Nambucca	270	Bogan	55
Sydney	930	Cowra	266	Bourke	55
Port Stephens	915	Mudgee	255	Tenterfield	54
Auburn	912	Lane Cove	242	Rylstone	50
Hastings	881	Forbes	241	Cabonne	48
Hawkesbury	872	Great Lakes	235	Gloucester	48
Tamworth	866	Tumut	229	Gundagai	46
Rockdale	862	Byron	227	Oberon	45
Marrickville	853	Moree Plains	223	Walgett	45
Tweed	852	Cootamundra	210	Corowa	44
Canada Bay	775	Narrabri	200	Bland	42
Goulburn	727	Kogarah	199	Ku-ring-gai	36

**Dwellings Owned by NSW Housing Department by Local Government Areas:**

**2003 (continued)<sup>141</sup>**

Warren	36	Coolah	16	Coolamon	5
Kyogle	32	Snowy River	16	Culcairn	5
Berrigan	31	Tallaganda	16	Murrurundi	4
Dungog	31	Balranald	15	Yarrowlumla	4
Parry	30	Barraba	14	Gunning	2
Weddin	30	Guyra	14	Manilla	2
Harden	29	Severn	12	Mulwaree	2
Quirindi	29	Boorowa	10	Pittwater	2
Crookwell	24	Jerilderie	8	Carathool	1
Brewarrina	23	Merriwa	7	Hume	1
Uralla	23	Murrumbidgee	7	Urana	1
Walcha	23	Holbrook	6	Wakool	1
Wentworth	20	Lockhart	6		
Tumbarumba	17	Murray	6		

**(d) Decline of Public Housing for Basic Wage Earners**

In 1994 it was estimated that 90% of people in public housing receive social security payments in full or in part. For 78% of people in public housing, social security payments were their main source of income.<sup>142</sup>

**(e) Increase in Properties for Rental**

By the beginning of the twenty-first century there were a substantial number of people who had invested in property with the purpose of letting out that property to tenants. Neil Warren has estimated the number of those people, in New South Wales, as follows:

**Property Owners Renting Out Property, NSW and Australia: 2000-2001<sup>143</sup>**

New South Wales	421,616
Australia	1,310,000

<sup>141</sup> Ibid.

<sup>142</sup> Australian Bureau of Statistics, *Renters Survey* (Australian Government Publishing Service, Canberra, 1994), p.28.

<sup>143</sup> See Neil Warren, *Tax: Facts, Fiction and Reform* (Australian Tax Research Foundation, Sydney, 2004), p.150. See also Neil Warren, "Mini-Budget Revamp Raises Some Truly Taxing Questions" in the SMH, 8 April 2004, p.17. Warren makes use of tables 2001PER5A.xls – 2001PER5E.xls of the Australian Taxation Office's *Taxation Statistics 2000-2001*.

**(f) Rent Assistance**

In 2002, 35% of recipients of rent assistance were in New South Wales. The figures for recipients, and the amounts received, in that year, were as follows:

**Recipients of Rent Assistance, and Average Payments: NSW and Australia 2002<sup>144</sup>**

Recipients in NSW	Recipients in Australia	Average Payment in NSW
306,800	914,647	\$37 per week

NSW recipients of rent assistance, through being recipients of Family Tax Benefit (A), are a small proportion of the total number of recipients of rent assistance in the state, as the figures indicate:

**NSW Recipients of Rent Assistance, via Family Tax Benefit (A): 2002<sup>145</sup>**

NSW Recipients of Rent Assistance via Family Tax Benefit (A)	26,790
Total NSW Recipients of Rent Assistance	306,800

Rent assistance, indeed, covers only a portion of the total rent paid. This can be seen from considering a selection of median rents across Sydney:

<sup>144</sup> Burgess, op.cit.

<sup>145</sup> Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services: 2003* (Productivity Commission, Melbourne, 2003), p.16.69. The figure for NSW recipients of rent assistance, via FTB(A), is derived from obtaining the total for Australia (81,179) and reducing it to one-third (since the population of NSW is approximately one-third of the population of Australia).

**Weekly Rents for 3-Bedroom Houses (Calculated from Lodgements with Rental Bond Board): 2005<sup>146</sup>**

Ashfield	\$390
Bankstown	\$260
Canterbury	\$300
Kogarah	\$345
Lane Cove	\$500
Leichhardt	\$570
Marrickville	\$375
Mosman	\$745
North Sydney	\$640
Parramatta	\$260
Randwick	\$485
Rockdale	\$340
Ryde	\$360
Strathfield	\$320
Waverley	\$610
Willoughby	\$535
Woollahra	\$825
Average	\$460 per week

Other than rental assistance, however, as Vivienne Milligan has commented, “There is no co-ordinated national housing policy response to the situation of low income households in the private rental sector.”<sup>147</sup>

**(g) Community Housing as a Possible Alternative**

The inception and development of community housing was described by the NSW Parliament’s Social Issues Committee, in 2003, as follows: “The provision of community housing in New South Wales began in the early 1980s with the introduction of the community tenancy scheme in 1982 and the local government and community housing program in 1984. When community housing began it was seen as a temporary, transitional program for people waiting for public housing”.<sup>148</sup>

<sup>146</sup> See NSW Department of Housing, *Rent and Sales Report* (NSW Department of Housing, Sydney, 2005). The average rent for a three-bedroom house, in Sydney, could well be closer to \$500 a week, given that the estimated average rent for the same house in Sydney, in 1990, was \$398 a week. See Mike Seccombe, “Cost of Renting a House up 33%” in the *SMH*, 27 August 1990, p.3. Seccombe used, for his sources, the surveys compiled by the Master Builders-Construction and Housing Association.

<sup>147</sup> Milligan, op.cit., p.156.

<sup>148</sup> NSW Parliament, Standing Committee on Social Issues, *Report on Community Housing* (NSW Parliament, Sydney, 2003), p.7.

In 1995 the newly elected Carr government decided to develop community housing as an alternative to public housing. The following year the then Housing Minister (Craig Knowles) announced that 900 properties would be transferred to 17 housing associations (at that time there were already 5,200 community housing rental properties)<sup>149</sup>. Michael Darcy and his colleagues have observed that while “Early transfers consisted almost exclusively of vacant properties”, however, “In the push to achieve targets, up to 10% of the units identified for transfer were tenanted at the time”.<sup>150</sup> The situation in 2002 was outlined by the social issues committee accordingly,

the department of housing allocates resources to over 400 organisations throughout New South Wales to provide community housing. The organisations manage properties either owned by the NSW Land and Housing Corporation (the department’s title holding entity), or head leased from the private rental sector or other government agencies. Close to half of community housing properties (42%) are leased from the private rental market. As of June 2002, there were 11,800 properties under community housing provider management. . . community housing makes up [however] only about 8.4% of the social housing system in New South Wales. . .<sup>151</sup>

One year later, in 2003, funds were set aside for a program of 1,000 transfers.<sup>152</sup>

A year before the Carr government arranged for the transfer of these properties, a voluntary organisation (Habitat for Humanity) had helped a family, in south-west Sydney, to build a cheap house. Mortgage insurer PMI paid for the building of the house (constructed by students from Nirimba TAFE). The family, for whom the house was built, contributed 500 hours of their own labour.<sup>153</sup>

#### **(h) Smaller-Scale Federal, NSW Government and Local Government Affordable Housing Initiatives in the mid-1990s and early 2000s**

In the late 1970s, section 94 of the state’s *Environmental Planning and Assessment Act 1979* allowed local governments to levy property developers to provide services. North Sydney council in the late 1970s, and Waverley council in the early 1980s, both moved to utilise such levies to attempt to provide affordable housing (as the acquisition and

<sup>149</sup> Michael Darcy and Jill Stringfellow, *Tenant’s Choice or Hobson’s Choice: A Study of the Transfer of Tenanted Dwellings from Public Housing to Community Housing in New South Wales* (University of Western Sydney, Sydney, 2000).

<sup>150</sup> Michael Darcy, Keith Jacobs and Greg Marston, “Changing the Mix”: A Case Study of Public Housing Stock Transfers in Victoria, New South Wales and Tasmania”, paper presented at the *National Housing Conference*, Adelaide 2003, p.7.

<sup>151</sup> NSW Parliament, Standing Committee on Social Issues, op.cit., p.8.

<sup>152</sup> Darcy, Jacobs and Marsten, *ibid.*

<sup>153</sup> Tracey Grayson, “Hyratts High-Tail It towards a More Humane Habitat” in *The Australian*, 29 November 2002, p.27.

demolition of older housing, by developers, reduced the availability of housing for low income earners).<sup>154</sup> Between 1978 and 1983, Waverley council, for example, acquired land and built three housing blocks.<sup>155</sup>

During the 1990s the Keating government made available, to the then Greiner government in NSW, a sum of \$50 million: both as a contribution to the redevelopment of the area around Ultimo and Pyrmont, and to the provision of affordable housing as the area was changed. With the money from the federal government, plus levies from property developers in Ultimo-Pyrmont, the Greiner government set up a company (City West Housing or CWH) to establish affordable housing in the area. Between 1995 and the present, with the Keating government's initial \$50 million and subsequent money contributions from property developers, CWH has acquired land and built buildings which currently provide 365 units of accommodation. The units became available for rental to low income earners: the rent charged being either 25% or 30% of the tenants' incomes.<sup>156</sup>

After gaining office, in 1995, the Carr government attempted to extend the work of councils (such as North Sydney and Waverley) by attempting to ensure that a small amount of affordable housing was included in major commercial residential building projects. In 1998 the Carr government established a ministerial task force on affordable housing. However, as Bill Randolph has commented, "progress has been painfully slow".<sup>157</sup> In the meantime, Waverley council, for instance, maintained its attempts to provide affordable housing by issuing, in 1998, Development Control Plan (DCP) 1 – Multi-Unit Housing. DCP 1 detailed the density bonus available to property developers should they be willing to make an affordable housing contribution. Waverley council proceeded to acquire 27 properties for affordable housing: 13 in perpetuity and 14 rent capped (the council leasing the latter, from a property developer, at a reduced rental rate for a specified period of time).<sup>158</sup> A year after Waverley council issued DCP 1, Willoughby council modified its local environmental plan by issuing its own Development Control Plan (DCP) 23. This plan came to provide 10 units of affordable housing in the St. Leonards area.<sup>159</sup>

<sup>154</sup> Brian Dollery and Judith McNeill, *Equity And Efficiency: Section 94 Developer Charges and Affordable Housing in Sydney* (University of New England, Armidale, 1999), p.2.

<sup>155</sup> Paul Pearce, "Working with Community Housing – Elements of a Successful Relationship with Local Government", paper presented at the *NSW Community Housing Conference*, 13-14 May 2004.

<sup>156</sup> Information provided by City West Housing.

<sup>157</sup> Bill Randolph and Brendan Gleeson, "Property Boom Time For Some Can Spell Disaster For Others" in the *SMH*, 14 August 2002, p.15.

<sup>158</sup> Pearce, *ibid.* In one arrangement with a property company, which was erecting a building with 10 two-bedroom flats, the developer received a density of bonus of 12.5% in exchange for the provision of 1 affordable housing unit (to be let at \$240 a week). See Winsome Byrne, "The Right Mix – Cities Aren't Just for the Well-Off" in the *SMH*, 12 September 2000, p.29.

<sup>159</sup> See the Willoughby council website at <http://www.willoughby.nsw.gov.au>.



Property developers, on the other hand, have endeavoured to resist the state government's efforts. In the late 1990s, South Sydney council developed a plan to ensure that property companies, building new flats on land previously used for industry, would provide a small number of dwellings on an affordable basis. In the case of the former ACI site in Waterloo, South Sydney's plan was that Meriton Apartments, which had acquired the rights to develop, should leave aside 80 units (out of an intended total of 2,300) for affordable housing.<sup>160</sup> Meriton, however, went to the Land and Environment Court. The court found, in early 2000, that unauthorised interference with property rights was unreasonable.

In an attempt to preserve local councils' right to levy developers for contributions, and to require them to reserve some portion of their projects for affordable housing, the Carr government subsequently obtained passage of the *Environmental Planning and Assessment Amendment (Affordable Housing) Act 2000* providing for the insertion of sections 94F and 94G which allowed for the levying of land, or monetary contributions for affordable housing, under certain circumstances. The Act also validated three local environmental plans containing provisions for affordable housing, and validated the section 94 contributions of Randwick and Waverley councils for a period of 2 years.

A year after the passage of the *Environmental Planning and Assessment Amendment (Affordable Housing) Act 2000*, with the housing boom moving towards its peak, the then minister for urban affairs and planning (Andrew Refshauge) announced that 50 homes would be built specifically for people on low incomes, and for retirees, on land developed by Landcom. Cosmopolitan Constructions gained the contract to build the homes with prices for one-bedroom houses estimated to cost \$150,000. The minister cautioned, however, that the initiative was not intended to solve the shortage of affordable housing.<sup>161</sup> In 2002 the minister announced that the actual number of homes for low income earners, at Landcom's development at Parklea, would number 13 and would in fact be made available for people on moderate incomes. The minister defined moderate incomes as between \$40,000 and \$60,000 a year. The houses concerned would cost between \$152,000 and \$225,000.<sup>162</sup>

The progress of the Carr government's affordable housing amendments has been described by UnitingCare accordingly:

SEPP 70 – Affordable Housing (Revised Schemes) came into force on 1 June 2002, coinciding with the expiry of the [amendment] act. The SEPP validated the affordable housing provisions in the Sydney Regional Environmental Plan No.26 – City West, the Willoughby Local Environmental Plan 1995 and the South Sydney Local Environmental Plan 1998. However the act was silent on section 94, and did not continue to validate the existing section 94 schemes of Waverley, Randwick

<sup>160</sup> Angelo Karantonis, "Pathways to Partnership: Private Developer" paper presented at the *Churches Community Housing Conference*, Sydney, May 2001.

<sup>161</sup> Linda Morris, "Affordable Houses a Growing Concern" in the *SMH*, 16 June 2001, p.7.

<sup>162</sup> Anne Davies, "Bricks and Mortar Bargains to Beat Price Heat" in the *SMH*, 18 May 2002, p.5.

and North Sydney councils. A further problem with the SEPP is that it recognised the need for affordable housing in only four local government areas in Sydney (City of Sydney, South Sydney, Willoughby and Leichhardt). Councils in other areas are thus not able to impose section 94 for the loss of affordable housing. . .<sup>163</sup>

Since the 2002 expiry of the provisions of the *Environmental Planning and Assessment Amendment (Affordable Housing) Act 2000*, and the substitution of SEPP 70, the prospects for affordable housing, via local government planning intervention, have been described by Shelter NSW as follows:

The government has not introduced an umbrella SEPP that would easily allow councils, who wished to use the provisions of the section, to do so. The absence of an appropriate SEPP has prevented at least one council (namely Parramatta) from implementing its affordable housing scheme. It has also stopped other councils from seeking to propose amendments to their LEPs and develop a dedications/contributions scheme (e.g. Newcastle City affordable housing strategy).<sup>164</sup>

Just after he replaced Bob Carr, in August 2005, the current Premier (Morris Iemma) made a commitment to increase the level of affordable housing. In a press conference, held on the day of his selection, the new Premier declared that “my long term ambition. . . is to commit myself to. . . public and affordable housing”.<sup>165</sup>

Meanwhile the NSW Department of Housing has continued its small-scale initiatives in the area of affordable housing. One current state government initiative is that being undertaken in relation to the former Australian Defence Industries (ADI) site at St. Marys. By means of an agreement with Delfin Lend Lease (the property company that has bought the site), an intended 3% of all residential lots will be provided free of cost for affordable housing. It is hoped that this will result in 15 affordable housing lots being made available, to the public, each year. It is intended that the NSW Land and Housing Corporation will act as a nominee for the transfer of affordable housing lots and that a business unit of the NSW department of housing (the centre for affordable housing) will act as an agent (for the minister for infrastructure planning) in negotiations with the property company.<sup>166</sup> Such a form of agreement may indicate a way forward for further affordable housing initiatives in New South Wales.

<sup>163</sup> UnitingCare NSW/ACT, *Submission to Section 94 Contributions and Development Review Taskforce, NSW Department of Infrastructure, Planning and Natural Resources* (UnitingCare, Sydney, 2003), p.5. With South Sydney and Leichhardt to be incorporated into City of Sydney, SEPP – 70 effectively only recognises the need for affordable housing in two local government areas: City of Sydney and Willoughby.

<sup>164</sup> Shelter NSW, *Levying Developers for Affordable Housing – A Resource Paper* (Shelter NSW, Sydney, 2005), pp.9-10.

<sup>165</sup> Anne Davies, “Slash, Burn and Cast Off Carr” in the *SMH*, 3 August 2005, p.1.

<sup>166</sup> Helen O’Loughlin, “Using a Developer Agreement to Provide Affordable Housing (ADI Site, St. Marys)”, paper presented at the *National Affordable Housing Conference*, Sydney, 2005.

## CONCLUSION

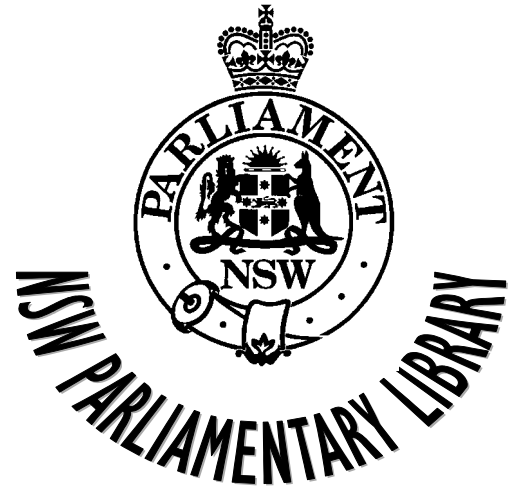
This paper has surveyed the situation of people on the minimum wage or just over, in New South Wales, in relation to their likelihood of obtaining affordable housing. The prospect does not look promising. Whereas, from the late 1940s to the 1960s, governments were prepared to intervene, to provide housing, in situations where the price of houses had escalated but wages had increased only moderately – since the 1980s governments have decided not to intervene at all, even if house prices are escalating and wages are increasing only slowly. Since the 1980s, successive federal governments have had policies of restraining wage increases against the background of surging house prices.

Rent assistance, for a number of people on low incomes, has been substituted for the previous instrument of government intervention. The average money amount of rent assistance is, however, quite low and so often leaves the recipients, that it intends to help, faced with much difficulty, in making ends meet, as before. Furthermore, constantly struggling to meet rent payments frequently leaves those renting with little left over to save for a home of their own.

In recent times the Carr government embarked on, often in co-operation with local government bodies, small-scale initiatives in affordable housing. The Carr government's own individual endeavours appear destined to result in only a very small number of affordable homes and, indeed, it acknowledged, at the time, that it was not attempting to undertake a major intervention in the realm of affordable housing.

The new Premier has made affordable housing a priority for his government and there is an expectation of new endeavours. Initiatives in the realm of community housing, and of the type incorporated in the development of the ADI site, may point the way.

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